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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 10-01-2013 , 2013, and ending 09-30-2014

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

C Name of organization
SALEM HOSPITAL

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
890 OAK STREET

City or town, state or province, country, and ZIP or foreign postal code
SALEM, OR 97301

D Employer identification number
93-0579722

E Telephone number
(503) 561-5535

G Gross receipts $ 638,337,336

F Name and address of principal officer
JAMES PARR
890 OAK STREET
SALEM, OR 97301

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 SALEMHOSPITAL ORG

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

L Year of formation 1970

M State of legal domicile OR

Part I Summary

1 Briefly describe the organization's mission or most significant activities
TO IMPROVE THE HEALTH AND WELL BEING OF THE PEOPLE IN THE COMMUNITIES WE SERVE

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	4,421
6	Total number of volunteers (estimate if necessary)	**6**	362
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	2,887,431
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,300,559	955,967
9	Program service revenue (Part VIII, line 2g)	588,301,112	624,694,771
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	10,056,283	12,885,194
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,304,977	-1,623,352
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	602,962,931	636,912,580
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	483,755	496,057
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	286,518,729	314,864,958
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	280,707,541	282,067,536
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	567,710,025	597,428,551
19	Revenue less expenses Subtract line 18 from line 12	35,252,906	39,484,029

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	967,313,763	1,029,796,528
21	Total liabilities (Part X, line 26)	401,360,778	404,769,196
22	Net assets or fund balances Subtract line 21 from line 20	565,952,985	625,027,332

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

****** | 2015-08-07
Signature of officer | Date

JAMES PARR CHIEF FINANCIAL OFFICER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JOYLYN M ANKENEY CPA		2015-08-07		P00366587

Firm's name ▶ AKT LLP | Firm's EIN ▶ 93-0623286

Firm's address ▶ 680 HAWTHORNE AVE SE 140
SALEM, OR 97301 | Phone no (503) 585-7774

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

TO IMPROVE THE HEALTH AND WELL-BEING OF THE PEOPLE AND COMMUNITIES WE SERVE

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 $ 106,070,127 including grants of $) (Revenue $ 303,114,324)

SALEM HOSPITAL IS ONE OF THE LARGEST OF OREGON'S 59 ACUTE CARE HOSPITALS AND OPERATES THE BUSIEST EMERGENCY DEPARTMENT IN OREGON THERE ARE 674 PRACTITIONERS, REPRESENTING 40 DIFFERENT SPECIALTIES MORE THAN 362 VOLUNTEERS PROVIDE NON-MEDICAL SUPPORT FOR THE HOSPITAL 2014 STATISTICS BIRTHS - 3,215, DIAGNOSTIC IMAGING PROCEDURES - 163,683, ED VISITS - 95,830, INPATIENT ADMISSIONS - 23,039, LABORATORY PROCEDURES - 1,220,204, SURGERIES - 13,615 THE PRIMARY SERVICE AREA IS THE GREATER WILLAMETTE VALLEY WITH APPROXIMATELY 500,000 RESIDENTS

4b (Code) (Expenses $ 396,995,582 including grants of $) (Revenue $ 313,027,925)

SALEM HOSPITAL PROVIDES HEALTHCARE TO PEOPLE IN OUR COMMUNITY REGARDLESS OF THEIR ABILITY TO PAY IN FY2014, THE COST OF SERVICES PROVIDED AS A COMMUNITY BENEFIT TOTALED $83 9 MILLION THIS FIGURE CONSISTED OF $13 5 MILLION IN COSTS TO PROVIDE CHARITY CARE TO INDIVIDUALS WHO CANNOT AFFORD TO PAY, $32 5 MILLION IN UNDERPAYMENT BY MEDICAID AS THE AMOUNT PAID WAS LESS THAN THE COST TO PROVIDE THE SERVICES, AND $38 MILLION IN UNDERPAYMENT BY MEDICARE AS THE AMOUNT PAID WAS LESS THAN THE COST TO PROVIDE THE SERVICES SALEM HOSPITAL DOES NOT PURSUE LEGAL ACTION FOR NON-PAYMENT OF BILLS AGAINST CHARITY CARE PATIENTS WHO HAVE DEMONSTRATED THAT THEY HAVE NEITHER SUFFICIENT INCOME NOR ASSETS TO MEET THEIR FINANCIAL OBLIGATIONS

4c (Code) (Expenses $ 13,527,939 including grants of $ 496,057) (Revenue $ 4,809,102)

SALEM HOSPITAL ACTIVELY PARTICIPATES IN COMMUNITY HEALTH IMPROVEMENT SERVICES IN FY 2014, SALEM HOSPITAL GAVE $8 7 MILLION FOR UNFUNDED OR UNDERFUNDED HEALTH SERVICES, INCLUDING IMPROVING ACCESS TO CARE THROUGH PHYSICIAN RECRUITING, COMMUNITY HEALTH EDUCATION AND PREVENTION PROGRAMS THE HOSPITAL HAS AN ACTIVE SPEAKERS BUREAU PROVIDING FREE HEALTH LECTURES TO COMMUNITY GROUPS HEALTH SCREENINGS, SUPPORT GROUPS AND EDUCATION CLASSES ARE OFFERED ON AN ON-GOING BASIS IN FY 2014, SALEM HOSPITAL PROVIDED MORE THAN $669 THOUSAND IN CASH AND IN-KIND DONATIONS TO COMMUNITY HEALTH PROGRAMS SUCH AS MEDASSIST AND PROJECT ACCESS, PSYCHIATRIC CRISIS CENTER AND THE SALEM FREE CLINIC

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 516,593,648

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		No
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		No
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	Yes	
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**	Yes	
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**	Yes	
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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**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**	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *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	341		
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		Yes	
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	4,421		
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		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
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		Yes	
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			
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			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
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**	13		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**			No
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**			No
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**			No
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 ▶ OR

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

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

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

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

▶ SALEM HOSPITAL 890 OAK STREET SE
SALEM, OR 97301 (503) 561-1200

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)** ▶								7,557,909	0	1,194,937

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 ▶ 402

			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
SHIFTWISE US BANK CORP TRUST PO BOX 70870 ST PAUL MN 55170	CONTRACT LABOR	5,765,127
COMPHEALTH INC PO BOX 972651 DALLAS TX 75397	CONTRACT LABOR	2,056,383
EPIC SYSTEMS CORP PO BOX 88314 MILWAUKIE WI 53288	CONSULTING SERVICES	2,049,855
OHSU PO BOX 574 PORTLAND OR 97207	CONTRACT LABOR	1,878,298
PEACEHEALTH LABORATORIES PO BOX 77003 SPRINGFIELD OR 97475	LABORATORY SERVICES	1,835,455

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 ▶ 95

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	676,389			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	279,578			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		955,967			
			Business Code				
Program Service Revenue	2a	PATIENT PAYMENTS	621110	609,072,313	609,072,313		
	b	PHARMACY	446110	6,730,758	5,635,408	1,095,350	
	c	NUTRITION SERVICES	722210	4,340,476	4,340,476		
	d	OTHER HOSPITAL SERVICES	900099	2,734,494	2,614,242	120,252	
	e	REGIONAL LAB	621500	1,816,730	131,812	1,684,918	
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		624,694,771			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		12,528,686			12,528,686
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real	(ii) Personal			
	6a	Gross rents	657,393				
	b	Less rental expenses	1,424,756				
	c	Rental income or (loss)	-767,363				
	d	Net rental income or (loss) . . . . . ▶		-767,363			-767,363
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	356,508				
	b	Less cost or other basis and sales expenses	0				
	c	Gain or (loss)	356,508				
	d	Net gain or (loss) . . . . . ▶		356,508			356,508
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 . . ▶					
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	PASSTHROUGH INCOME	541900	-855,989	-842,900	-13,089	
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶		-855,989			
	12	**Total revenue.** See Instructions . . . . . ▶		636,912,580	620,951,351	2,887,431	12,117,831

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	442,429	442,429		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	53,628	53,628		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	5,622,350		5,622,350	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	243,179,603	227,611,002	15,568,601	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits	48,517,873	45,157,882	3,359,991	
10 Payroll taxes	17,545,132	16,096,357	1,448,775	
11 Fees for services (non-employees)				
a Management	774,181	774,181		
b Legal	1,306,481	146,580	1,159,901	
c Accounting	312,468	278,491	33,977	
d Lobbying	88,050		88,050	
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	29,301,918	24,026,461	5,275,457	
12 Advertising and promotion	330,727	783	329,944	
13 Office expenses	37,001,954	3,649,168	33,352,786	
14 Information technology	7,693,223	596,232	7,096,991	
15 Royalties . .				
16 Occupancy	12,541,407	11,170,454	1,370,953	
17 Travel	914,695	545,496	369,199	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	1,046,818	752,548	294,270	
20 Interest	12,849,687	12,849,687		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	36,509,968	36,509,968		
23 Insurance	3,387,542	3,387,542		
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 PATIENT SUPPLIES	94,929,963	94,466,274	463,689	
b BAD DEBTS	24,726,873	24,726,873		
c OTHER PURCHASED SERVICE	12,946,579	11,802,365	1,144,214	
d RECRUITING	2,025,875	38,437	1,987,438	
e All other expenses	3,379,127	1,510,810	1,868,317	
25 **Total functional expenses.** Add lines 1 through 24e	597,428,551	516,593,648	80,834,903	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ 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		23,635	1	24,005
	2	Savings and temporary cash investments		2,630,491	2	3,387,781
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		72,121,978	4	70,343,522
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		39,096	5	5,218
	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	
	7	Notes and loans receivable, net		9,306,109	7	9,697,318
	8	Inventories for sale or use		5,957,831	8	6,236,713
	9	Prepaid expenses and deferred charges		7,265,839	9	8,002,433
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 890,954,440			
	b	Less accumulated depreciation	10b 445,677,914	435,246,873	10c	445,276,526
	11	Investments—publicly traded securities		406,375,733	11	450,315,165
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		11,543,586	13	12,053,859
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		16,802,592	15	24,453,988
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		967,313,763	16	1,029,796,528
Liabilities	17	Accounts payable and accrued expenses		61,534,048	17	70,618,815
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		309,879,539	20	306,397,614
	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		1,053,233	23	551,264
	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		28,893,958	25	27,201,503
	26	**Total liabilities.** Add lines 17 through 25		401,360,778	26	404,769,196
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		563,879,657	27	622,467,140
	28	Temporarily restricted net assets		2,073,328	28	2,560,192
	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		565,952,985	33	625,027,332
	34	Total liabilities and net assets/fund balances		967,313,763	34	1,029,796,528

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	636,912,580
2	Total expenses (must equal Part IX, column (A), line 25)	2	597,428,551
3	Revenue less expenses Subtract line 2 from line 1	3	39,484,029
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	565,952,985
5	Net unrealized gains (losses) on investments	5	20,686,227
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-1,095,910
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	625,027,332

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		No
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		

Additional Data

Software ID:
Software Version:
EIN: 93-0579722
Name: SALEM HOSPITAL

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			
KATHERINE L KEENE TRUSTEE	9 00	X						0	0	0
PAM VUKOVICH TRUSTEE	5 90	X						0	0	0
BRUCE CARTER MD TRUSTEE	5 90	X						0	0	0
KENNETH SHERMAN JR TRUSTEE	5 90	X						0	0	0
DAVID ELMGREN MD TRUSTEE	5 90	X						0	0	0
BONNIE DRIGGERS RN TRUSTEE	5 90	X						0	0	0
THERESA HASKINS TRUSTEE	5 00	X						0	0	0
ALAN WYNN SECRETARY/TREASURER	5 00	X		X				0	0	0
ALAN COSTIC CHAIRPERSON	5 00	X		X				0	0	0
LANE SHETTERLY TRUSTEE	5 90	X						0	0	0
ROBERT WELLS VICE-CHAIRPERSON	10 00	X		X				0	0	0
J BART MCMULLAN MD TRUSTEE	5 00	X						0	0	0
ROBERT WACHTER MD TRUSTEE	2 00	X						39,190	0	0
NORMAN GRUBER CHIEF EXECUTIVE OFFICER	40 00			X				870,161	0	257,947
AARON CRANE CHIEF FINANCIAL AND STRATEGY OFFICER	40 00			X				530,260	0	75,272
ROBERT BRANNIGAN CHIEF ADMIN OFFICER WVH	40 00				X			349,531	0	59,468
LAURIE BARR VP HUMAN RESOURCES	40 00				X			279,585	0	58,641
MARTHA ENRIQUEZ CHIEF NURSING OFFICER	40 00				X			355,324	0	67,037
MARTIN MORRIS CHIEF DEVELOPMENT OFFICER/VP COMM OUTREACH	40 00				X			296,189	0	56,175
CHERYL NESTER WOLFE CHIEF OPERATING OFFICER	40 00				X			528,785	0	76,565
CORT GARRISON CHIEF INFORMATION OFFICER	40 00				X			374,843	0	70,862
WILLIAM HOLLOWAY MD CHIEF MEDICAL OFFICER	40 00				X			561,231	0	85,323
LEAH MITCHELL VP KAIZEN QUALITY & SAFETY	40 00				X			202,202	0	39,272
LORI JAMES-NIELSEN VP STRAT & BUSINESS INTEGRATION	40 00				X			153,442	0	39,397
AMR HEGAZI MD ANESTHESIOLOGIST	40 00					X		511,147	0	45,278

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			
AHMED EBEID MD PHYSICIAN	40 00					X		653,974	0	41,839
NANCY BOUTIN MD PHYSICIAN	40 00					X		449,679	0	54,552
NICOLE VANDERHEYDEN MD TRAUMA SURGEON	40 00					X		542,032	0	77,130
THYE SCHUYLER MD PHYSICIAN	40 00					X		404,426	0	52,168
ANNE KOLLER CHIEF MARKETING OFFICER	40 00						X	329,431	0	29,128
BEVERLY BOW FORMER VP KAIZEN	40 00						X	126,477	0	8,883

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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
SALEM HOSPITAL

Employer identification number
93-0579722

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

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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
SALEM HOSPITAL	93-0579722

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)	121,166	
c Total lobbying expenditures (add lines 1a and 1b)	121,166	
d Other exempt purpose expenditures	597,307,385	
e Total exempt purpose expenditures (add lines 1c and 1d)	597,428,551	
f Lobbying nontaxable amount Enter the amount from the following table in both columns	1,000,000	
g Grassroots nontaxable amount (enter 25% of line 1f)	250,000	
h Subtract line 1g from line 1a If zero or less, enter -0-	0	
i Subtract line 1f from line 1c If zero or less, enter -0-	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			1,000,000	1,000,000	2,000,000
b Lobbying ceiling amount (150% of line 2a, column(e))					3,000,000
c Total lobbying expenditures			126,332	121,166	247,498
d Grassroots nontaxable amount			250,000	250,000	500,000
e Grassroots ceiling amount (150% of line 2d, column (e))					750,000
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 II-B, LINE 1	SALEM HOSPITAL CONTRACTED WITH PUBLIC AFFAIRS COUNSEL TO KEEP THE HOSPITAL APPRISED OF BILLS IN THE STATE LEGISLATURE AND TO ENGAGE THE LEGISLATORS ON BEHALF OF THE HOSPITAL WHEN NECESSARY TO PROVIDE INFORMATION TO LEGISLATORS REGARDING THE IMPACT OF LEGISLATION ON THE HOSPITAL ADDITIONALLY, THE HOSPITAL PAYS MEMBERSHIP DUES TO OAHHS AND AHA A PORTION OF THE DUES TO THESE ORGANIZATIONS IS ALLOCATED TO LOBBYING ACTIVITY IN RELATION TO STATE AND NATIONAL HEALTHCARE ISSUES

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
SALEM HOSPITAL

Employer identification number
93-0579722

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	2,073,328	2,120,674	1,785,208	1,903,809	2,363,674
b	Contributions	674,913	160,956	332,125		527,436
c	Net investment earnings, gains, and losses	154,704	379,362	494,527	-118,601	246,579
d	Grants or scholarships					
e	Other expenditures for facilities and programs	342,753	587,664	491,186		1,233,880
f	Administrative expenses					
g	End of year balance	2,560,192	2,073,328	2,120,674	1,785,208	1,903,809

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

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

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

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

		Yes	No
(i) unrelated organizations	3a(i)		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	9,810,499	23,124,460		32,934,959
b Buildings	5,789,274	517,116,991	196,758,544	326,147,721
c Leasehold improvements				
d Equipment	988,861	315,451,692	248,919,370	67,521,183
e Other		18,672,663		18,672,663
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				445,276,526

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		
Other		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶		

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	
FAIR VALUE INTEREST RATE SWAP AGREEMENT	12,821,009
ACCRUED POST RETIREMENT HEALTHCARE BENEFITS	6,972,316
ACCRUED MALPRACTICE INSURANCE	4,237,391
ESTIMATED LIABILITY TO MEDICARE	2,925,552
DUE TO SALEM HEALTH	224,428
OTHER LONG-TERM LIABILITIES	20,807
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	27,201,503

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	663,468,725
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	20,686,227		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	5,869,918		
e	Add lines **2a** through **2d**			2e	26,556,145
3	Subtract line **2e** from line **1**			3	636,912,580
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b			
c	Add lines **4a** and **4b**			4c	0
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	636,912,580

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	605,564,100
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	8,622,413		
e	Add lines **2a** through **2d**			2e	8,622,413
3	Subtract line **2e** from line **1**			3	596,941,687
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	486,864		
c	Add lines **4a** and **4b**			4c	486,864
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	597,428,551

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	ENDOWMENT FUNDS ARE HELD BY SALEM HOSPITAL FOUNDATION FOR SALEM HOSPITAL SUPPORT
PART X, LINE 2	UNCERTAIN TAX POSITIONS FROM THE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ISSUED FOR SALEM HEALTH AND RELATED COMPANIES THE CORPORATION, SALEM, WEST VALLEY, SHF, WVHF, WVPS, AND WVIC ARE TAX-EXEMPT ORGANIZATIONS PURSUANT TO INTERNAL REVENUE CODE (IRC) SECTION 501(C)(3) AS SUCH, ONLY UNRELATED BUSINESS INCOME IS SUBJECT TO FEDERAL OR STATE INCOME TAXES THE CORPORATION ACCOUNTS FOR UNCERTAINTY IN INCOME TAXES IN ACCORDANCE WITH FASB ASC 740-10, INCOME TAXES-IMPLEMENTATION GUIDANCE ON ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES AND DISCLOSURE AMENDMENTS FOR NONPUBLIC ENTITIES MANAGEMENT HAS NOT RECORDED A PROVISION AS UNRELATED BUSINESS INCOME, IF ANY, IS IMMATERIAL TO THE CONSOLIDATED FINANCIAL STATEMENTS U S GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRE THE CORPORATION TO EVALUATE TAX POSITIONS TAKEN BY THE CORPORATION AND RECOGNIZE A TAX LIABILITY (OR ASSET) IF THE CORPORATION 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 CORPORATION AND HAS CONCLUDED THAT AS OF SEPTEMBER 30,2014 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 THE CORPORATION IS SUBJECT TO ROUTINE AUDITS BY TAXING JURISDICTIONS, HOWEVER THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS THE CORPORATION MANAGEMENT BELIEVES IT IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS FOR YEARS PRIOR TO FISCAL YEAR 2009
PART XI, LINE 2D - OTHER ADJUSTMENTS	REVENUE NETTED WITH EXPENSES 3,220,597 EXPENSE NETTED WITH REVENUE 2,649,321
PART XII, LINE 2D - OTHER ADJUSTMENTS	REVENUE NETTED WITH EXPENSES 3,220,597 CUMULATIVE EFFECT OF ADOPTION OF FAIR VALUE OPTION 1,015,407 EXPENSE NETTED WITH REVENUE 3,819,042 CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION 567,367
PART XII, LINE 4B - OTHER ADJUSTMENTS	CHANGE IN BENEFICIAL INTEREST IN FOUNDATION 486,864

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493224026335

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
SALEM HOSPITAL

Employer identification number
93-0579722

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	3a	Yes	
	☐ 100% ☐ 150% ☑ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	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)		66,882	13,464,257		13,464,257	2 350 %
b Medicaid (from Worksheet 3, column a)		113,328	131,001,699	98,518,168	32,483,531	5 670 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		180,210	144,465,956	98,518,168	45,947,788	8 020 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		198,581	2,573,990	53,252	2,520,738	0 440 %
f Health professions education (from Worksheet 5)			991,747		991,747	0 170 %
g Subsidized health services (from Worksheet 6)			7,391,578	4,755,850	2,635,728	0 460 %
h Research (from Worksheet 7)			1,901,005		1,901,005	0 330 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			542,365		542,365	0 090 %
j **Total.** Other Benefits		198,581	13,400,685	4,809,102	8,591,583	1 490 %
k **Total.** Add lines 7d and 7j		378,791	157,866,641	103,327,270	54,539,371	9 510 %

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			8,789		8,789	0 %
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy			41,225		41,225	0 010 %
8 Workforce development			1,238,173		1,238,173	0 220 %
9 Other						
10 **Total**			1,288,187		1,288,187	0 230 %

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 24,726,873		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3 10,690,692		
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	90,339,525
6	Enter Medicare allowable costs of care relating to payments on line 5	6	102,867,357
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-12,527,832
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 SALEM HOSPITAL

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 begining 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 12			
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)			
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		
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 000000000000% 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 000000000000% 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? **8**

	Name and address	Type of Facility (describe)
1	REHABILITATION CENTER 2561 CENTER ST SE SALEM,OR 97301	REHABILITATION
2	LABORATORY PHLEBOTOMY SITE - HOPE 1600 STATE ST SALEM,OR 97301	LABORATORY SERVICES
3	COMPREHENSIVE PAIN CENTER 280 LIBERTY ST SE SUITE 320 SALEM,OR 97301	PAIN MANAGEMENT
4	REGIONAL LABORATORY 3300 STATE ST SALEM,OR 97301	LABORATORY SERVICES
5	WHP FAMILY MEDICINE KEIZER 550 DEITZ AVE NE KEIZER,OR 97303	CLINIC
6	WHP FAMILY MEDICINE RIVER ROAD S 2925 RIVER RD S SALEM,OR 97302	CLINIC
7	WHP FAMILY MEDICINE PARKSIDE 966 12TH STREET SE SALEM,OR 97301	CLINIC
8	WHP FAMILY MEDICINE WEST SALEM 1049 EDGEWATER ST NW SUITE 150 SALEM,OR 97304	CLINIC
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 I, LINE 3C	IT IS THE POLICY OF SALEM HOSPITAL TO PROVIDE FINANCIAL COUNSELING TO PATIENTS REGARDING THEIR FINANCIAL OBLIGATION AT THE EARLIEST OPPORTUNITY POSSIBLE SALEM HOSPITAL PROVIDES A VARIETY OF OPTIONS TO ASSIST PATIENTS IN RESOLVING THEIR ACCOUNTS, INCLUDING OREGON HEALTH PLAN (OHP) SCREENING, CHARITY ASSISTANCE, MEDICAL FINANCING CARDS, LOANS, AND EXTENDED PAYMENT PLANS DISCOUNTS MAY BE AVAILABLE ON THE NET BALANCE FOR PATIENTS AT OR BELOW 400% OF THE FEDERAL POVERTY LEVEL PATIENTS AT OR BELOW 200% OF THE POVERTY LEVEL ARE ELIGIBLE FOR 100% CHARITY ASSISTANCE THE HOSPITAL CONSIDERS BOTH INCOME AND/OR ASSETS AVAILABLE TO PAY PATIENT'S MEDICAL EXPENSES1 THE HOSPITAL WILL MULTIPLY THE FAMILY INCOME BY 30%2 THE HOSPITAL WILL DETERMINE THE PATIENT'S ALLOWABLE MEDICAL EXPENSES3 THE HOSPITAL WILL COMPARE 30% OF THE FAMILY INCOME TO THE TOTAL OF THE PATIENT'S ALLOWABLE MEDICAL EXPENSES IF THE TOTAL OF THE ALLOWABLE MEDICAL EXPENSES IS GREATER THAN 30% OF THE FAMILY INCOME, THEN THE PATIENT MEETS THE CATASTROPHIC CHARITY CARE QUALIFICATION THE HOSPITAL WILL LIMIT PATIENT LIABILITY FOR MEDICAL EXPENSES TO 30% OF THE FAMILY'S INCOME AMOUNTS THAT EXCEED THIS LIMIT WILL BE ELIGIBLE FOR CHARITY CARE FOR EXAMPLE FAMILY INCOME OF $70,000 PER YEAR AND MEDICAL EXPENSES OF $45,000 THIRTY-PERCENT OF THE FAMILY'S ANNUAL INCOME IS $21,000, THE FAMILY'S MEDICAL EXPENSES OF $45,000 EXCEED THIS AMOUNT THE FAMILY SHOULD THEREFORE BE ELIGIBLE FOR A CHARITY WRITE-OFF OF $24,000 ORASSET TESTASSETS CONSIDERED AVAILABLE TO PAY PATIENT'S MEDICAL EXPENSES1 EQUITY IN A REAL ESTATE, OTHER THAN THE PATIENT'S PERSONAL RESIDENCE, SECURITIES OR OTHER ASSETS (E G RENTAL PROPERTY, AGRICULTURAL USE) IS CONSIDERED AVAILABLE TO PAY THE PATIENT'S MEDICAL EXPENSES 2 $201,000 REPRESENTS THE MEDIAN VALUE OF A HOME IN SALEM, OREGON AS OF AUGUST 2010 THE HOSPITAL CONSIDERS THIS AMOUNT TO BE PROTECTED FROM CONSIDERATION AS A FUNDING SOURCE EQUITY IN A PATIENT'S PERSONAL RESIDENCE OVER AND ABOVE $201,000 WILL BE CONSIDERED AS AVAILABLE TO PAY MEDICAL LIABILITIES 3 THE CATASTROPHIC LIMIT UNDER THIS TEST WILL BE ESTABLISHED AT 100% OF THE EQUITY IN REAL PROPERTY OVER AND ABOVE THE FIRST $201,000 IN A PRIMARY RESIDENCE, AND 100% OF THE EQUITY IN OTHER REAL PROPERTY PRODUCING INCOME FOR EXAMPLE $280,000 (MARKET VALUE) - $100,000 (MORTGAGE) = $180,000 (NET VALUE), THEREFORE, $201,000 (PROTECTED SO EQUITY WOULD NOT BE CONSIDERED)

Form and Line Reference	Explanation
PART I, LINE 7	NET COMMUNITY BENEFIT EXPENSE IS CALCULATED BY TOTAL COSTS OF CARE PROVIDED LESS THE DIRECT, OFFSETTING NET REVENUES FOR THOSE SERVICES THE COSTS TO PROVIDE CHARITY CARE AND MEDICAID SERVICES DISCLOSED IN LINE 7, COLUMN (C) LINES (A) AND (B), RESPECTIVELY, ARE DETERMINED BY APPLYING THE COST TO CHARGE RATIO AS DETERMINED IN WORKSHEET 2 TO THE FULL BILLED CHARGES FOR THE SERVICES RENDERED NET COMMUNITY BENEFIT EXPENSE FOR THE COSTS FOR SUBSIDIZED HEALTH SERVICES DISCLOSED IN PART I, LINE 7(G) USES AN INTERNAL COSTING SYSTEM WHEREBY DIRECT AND INDIRECT EXPENSES ARE ALLOCATED TO DISCRETE OFFSETTING NET REVENUES FOR EACH SERVICE OVERHEAD COSTS ARE ALLOCATED TO REVENUE GENERATING SERVICES BASED ON UTILIZATION STATISTICS SUCH AS SQUARE FOOTAGE FOR MAINTENANCE COSTS

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM TOTAL EXPENSE THAT WAS INCLUDED IN FORM 990, PART IX, LINE 25, COLUMN (A), BUT REMOVED FROM THIS FIGURE FOR THE PURPOSES OF CALCULATING THE PERCENTAGE IN SCHEDULE H, PART I, LINE 7, COLUMN (F) WAS $24,726,873

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	IN 2013, SALEM HOSPITAL PROVIDED EXECUTIVE LEADERSHIP TO THE BOARD OF WALTON HOUSE, A RESPITE HOUSING PROVIDER THE HEALTH EDUCATION DIVISION HOSTED AN ANNUAL UPDATE OF COMMUNITY BENEFIT ACTIVITIES FOR COMMUNITY PARTNERING AGENCIES ACCESS TO CARE WAS IDENTIFIED AND PRIORITIZED AS A HEALTH NEED IN BOTH THE MARION AND POLK COUNTY COMMUNITY HEALTH REPORTS AND SALEM AND WEST VALLEY HOSPITALS ADDRESS THE NEED AS PART OF THE COMMUNITY BENEFIT IMPLEMENTATION STRATEGIES MOREOVER, FOCUS GROUPS COORDINATED BY THE SALEM AND WEST VALLEY HOSPITAL BOARD OF TRUSTEES IDENTIFIED ACCESS TO CARE AS A SIGNIFICANT HEALTH CONCERN IN BOTH MARION AND POLK COUNTIES FOCUS GROUP PARTICIPANTS STATED THAT LANGUAGE BARRIERS, LACK OF DENTAL HEALTH FUNDING, TRANSPORTATION, AND LIMITED ACCESS TO MENTAL HEALTH SERVICES ARE SIGNIFICANT ISSUES IN OUR COMMUNITY A LIMITED NUMBER OF PROVIDERS WILL TAKE UNINSURED PATIENTS AND THOSE THAT DO, OFTEN CANNOT SEE THESE PATIENTS RIGHT AWAY ALTHOUGH SOME CLINICS OFFER SAME DAY APPOINTMENTS AND EXTENDED HOURS, THE EMERGENCY DEPARTMENT IS SEEN AS THE SOURCE FOR AFTER-HOURS HEALTH CARE IN OUR COMMUNITY PARTICIPANT SUGGESTED THAT THE HOSPITALS COULD EASE THE IDENTIFIED BURDENS BY CONTINUING TO RECRUIT MORE PROVIDERS WHO ARE WILLING TO ACCEPT UNINSURED AND UNDER-INSURED PATIENTS TO EASE THE BURDEN OF ACCESS TO CARE AND TO ENSURE A WELL TRAINED HEALTH PROFESSIONAL WORKFORCE, SALEM HOSPITAL CONTINUES TO MAKE A SIGNIFICANT INVESTMENT IN PHYSICIAN RECRUITMENT AND MEDICAL WORK FORCE DEVELOPMENT

Form and Line Reference	Explanation
PART III, LINE 4	EFFECTIVE OCTOBER 1,2011, THE HOSPITALS ADOPTED FASB ISSUED ACCOUNTING STANDARDS UPDATE (ASU) NO 2011-07, HEALTH CARE ENTITIES (TOPIC 954) PRESENTATION AND DISCLOSURE OF PATIENT SERVICE REVENUE, PROVISION FOR BAD DEBTS, AND THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR CERTAIN HEALTH CARE ENTITIES THE ADOPTION OF THIS ASU RESULTED IN A RECLASSIFICATION OF BAD DEBT EXPENSE FROM AN OPERATING EXPENSE TO BE A REDUCTION IN DERIVING NET PATIENT SERVICE REVENUE COST OF BAD DEBT EXPENSE ESTIMATED AS ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE FINANCIAL ASSISTANCE POLICY ON LINE 3 IS CALCULATED BY SUBTOTALING THE BAD DEBT AMOUNTS BY ZIP CODE AMOUNTS WRITTEN OFF FOR ZIP CODES WHOSE MEDIAN HOUSEHOLD INCOME FALLS AT OR BELOW 200% OF FEDERAL POVERTY GUIDELINES ARE INCLUDED ON THIS LINE

Form and Line Reference	Explanation
PART III, LINE 8	MEDICARE PAYORS PAY A SIGNIFICANTLY REDUCED AMOUNT FOR MEDICAL SERVICES RENDERED TO THEIR ENROLLEES SUCH THAT THE NET REIMBURSEMENT DOES NOT EVEN COVER THE EXPENSES INCURRED TO PROVIDE THE SERVICE SALEM HOSPITAL CONSIDERS THE DIFFERENCE BETWEEN THE COSTS TO PROVIDE CARE FOR MEDICARE ENROLLEES AND THE NET REIMBURSEMENT AS A BENEFIT TO THE COMMUNITY MEDICARE FEE-FOR-SERVICE COSTS ARE DETERMINED FROM SALEM HOSPITALS FILED MEDICARE COST REPORT THE CALCULATION OF NET BENEFIT IS EQUAL TO TOTAL MEDICARE PAYMENTS LESS MEDICARE COSTS IN ADDITION TO TRADITIONAL MEDICARE FEE-FOR-SERVICE, SALEM HOSPITAL PROVIDES SUBSTANTIAL SERVICES TO OTHER MEDICARE POPULATIONS PARTICIPATING IN MEDICARE ADVANTAGE PLANS AT SIGNIFICANTLY REDUCED REIMBURSEMENT THE NET REVENUES FOR THESE PLANS ARE LESS THAN THE COST TO PROVIDE CARE AND ARE NOT DISCLOSED IN PART III, LINE 8 SALEM HOSPITAL ALSO CONSIDERS THE DIFFERENCE BETWEEN THE NET COST TO PROVIDE CARE FOR MEDICARE ADVANTAGE ENROLLEES AND THE NET REIMBURSEMENT AS A BENEFIT TO THE COMMUNITY THESE NET COSTS HAVE BEEN DETERMINED BY APPLYING THE RATIO OF COSTS TO CHARGES AS DETERMINED IN WORKSHEET 2 TO THE FULL BILLED CHARGES THE CALCULATION OF NET BENEFIT IS EQUAL TO TOTAL MEDICARE ADVANTAGE PAYMENTS OF $124,170,232 LESS MEDICARE ADVANTAGE COSTS OF $149,662,269 FOR A TOTAL ADDITIONAL COMMUNITY BENEFIT IN THE AMOUNT OF $25,492,037

Form and Line Reference	Explanation
PART III, LINE 9B	IF THERE IS AN INDICATION THAT A PATIENT MAY BE UNABLE TO PAY THEIR BILL, A FINANCIAL QUESTIONNAIRE IS GIVEN OR SENT TO THE PATIENT UPON RECEIPT OF THE COMPLETED QUESTIONNAIRE, THE PATIENT FINANCIAL COUNSELOR WILL DETERMINE ELIGIBILITY FOR FINANCIAL ASSISTANCE AND NOTIFY THE PATIENT REGARDING THEIR ELIGIBILITY FOR DISCOUNTS UNDER THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY ELIGIBILITY IS DETERMINED BASED ON THE QUESTIONNAIRE AND SUPPORTING DOCUMENTATION IN ACCORDANCE TO THE HOSPITAL'S FINANCIAL ASSISTANCE POLICY

Form and Line Reference	Explanation
PART VI, LINE 2	SALEM HOSPITAL COLLABORATED WITH THE MARION COUNTY AND POLK COUNTY HEALTH DEPARTMENTS IN PUBLICATION OF THEIR 2011 AND 2012 COMMUNITY HEALTH REPORTS IN ADDITION, SALEM HOSPITAL HAS A CONTRACTUAL ARRANGEMENT WITH HEALTHY COMMUNITIES INSTITUTE (CHI) TO PROVIDE COMMUNITY MEMBERS, PARTNERING AGENCIES AND THE COUNTY HEALTH DEPARTMENT STAFF ACCESS TO WEB-BASED HEALTH INDICATOR DATA ON AN ONGOING BASIS THE CHI WEB-BASED DATA DASHBOARD, MARION AND POLK COUNTY HEALTH ASSESSMENTS, MARION AND POLK COMMUNITY HEALTH IMPLEMENTATION PLANS ARE PUBLISHED ON THE SALEM HOSPITAL WEBSITE THESE DOCUMENTS SERVE TO INFORM THE SALEM HOSPITAL BENEFIT STRATEGY A PRIORITIZED DESCRIPTION OF THE COMMUNITY HEALTH NEEDS IDENTIFIED IN THE COMMUNITY HEALTH REPORTS AND THE SALEM HOSPITAL WEB-BASED, MARION AND POLK COUNTY INDICATOR TOOLS ARE INCLUDED IN THE COMMUNITY HEALTH IMPROVEMENT PLANS (CHIP) THE CHIP REPORTS ALSO DESCRIBE THE PROCESS AND CRITERIA USED IN PRIORITIZING HEALTH NEEDS THE CHIP PLANNING COMMITTEES CHOSE KEY HEALTH INDICATORS THAT MOST ADVERSELY AFFECTED THE COMMUNITY AT LARGE FROM THE HEALTH REPORT AND DASHBOARD FINDINGS IN MARION COUNTY 10 INDICATORS WERE CHOSEN FOR CONSIDERATION ADULTS WHO ARE OBESE, ADULTS ENGAGING IN PHYSICAL ACTIVITY, ADULTS WITH ASTHMA, AGE-ADJUSTED DEATH RATE DUE TO COLORECTAL CANCER, MOTHERS WHO RECEIVED EARLY PRENATAL CARE, PNEUMONIA VACCINATION RATE FOR AGES 65+, TEEN FRUIT AND VEGETABLE CONSUMPTION, TEEN PREGNANCY RATE, TEENS WHO ENGAGE IN REGULAR PHYSICAL ACTIVITY, AND TEENS WHO USE MARIJUANA COMMUNITY INPUT WAS SOLICITED IN THREE REGIONAL FORUMS ACROSS MARION COUNTY, AS DESCRIBED IN THE MARION COUNTY CHIP REPORT PRIORITY AREAS BY REGION WERE SELECTED SALEM HOSPITAL IS WORKING WITH COMMUNITY AGENCIES AND STAKEHOLDERS THAT HAVE CHOSEN TO PLACE PRIORITY ON DECREASING THE RATE OF TEEN PREGNANCY, INCREASING THE RATE OF MOTHERS WHO RECEIVE EARLY PRENATAL CARE AND DECREASING THE PERCENTAGE OF ADULT OBESITY IN MARION COUNTY IN POLK COUNTY, THE CHIP PLANNING COMMITTEE CHOSE NINE KEY HEALTH INDICATORS THAT MOST ADVERSELY AFFECTED THE COMMUNITY AT LARGE FROM THE HEALTH REPORT AND DASHBOARD FINDINGS THE REVIEW RESULTED IN THE FOLLOWING RANKINGS, LISTED IN ORDER OF RECEIVING THE MOST EXPRESSED CONCERN TO LEAST THE EXPRESSED CONCERN TEENS WHO ARE OBESE, POOR MENTAL HEALTH DAYS, ADULTS WHO ARE OBESE, MOTHERS WHO RECEIVE EARLY PRENATAL CARE, TEEN PREGNANCY RATES, LOW-INCOME PRESCHOOL OBESITY, MALE ADULTS WHO BINGE DRINK, CANCER SCREENINGS AND PREVALENCE, AND TEEN MARIJUANA USE THE NINE INDICATORS WERE PRESENTED TO REPRESENTATIVES FROM COMMUNITY PARTNERING AGENCIES AT THE POLK COMMUNITY HEALTH ASSESSMENT LAUNCH IN LATE 2011 THE GROUP WAS INSTRUCTED TO SELECT THREE TO FOUR FOCUS AREAS INDICATORS SELECTED INCLUDED TEENS WHO ARE OBESE, ADULTS WHO ARE OBESE, AND LOW-INCOME PRESCHOOL OBESITY ALL THREE INDICATORS FOCUSED ON THE ISSUE OF OBESITY DESPITE THE FACILITATOR'S ENCOURAGEMENT TO THINK BROADLY, THE COMMUNITY STRONGLY SUPPORTED THE SINGLE ISSUE OF OBESITY, DUE, AMONG OTHER THINGS, TO THE IMPACT ON OTHER HEALTH ISSUES THE COMMUNITY HEALTH IMPROVEMENT PLAN WORKGROUP AGREED THAT TARGETING THE HIGH RATE OF OBESITY IN POLK COUNTY WOULD HAVE A TREMENDOUS POSITIVE IMPACT DUE TO THE VARIETY OF HEALTH ISSUES DIRECTLY RELATED TO OBESITY INCLUDING MOBILITY, CHRONIC CONDITIONS, WORKABILITY, SELF-ESTEEM, STRESS, AND PHYSICALITY ALTHOUGH THE POLK COUNTY CHIP IDENTIFIED NINE HEALTH INDICATORS AND CHOSE TO FOCUS ON THOSE RELATED TO OBESITY, THE HOSPITAL DATA DASHBOARD INCLUDES SOCIAL DETERMINANTS OF HEALTH AS WELL IN POLK COUNTY, EDUCATIONAL (3RD GRADE READING, AND 8TH GRADE MATH PROFICIENCY), GROCERY STORE DENSITY, AND VIOLENT CRIME RATE NEGATIVELY INFLUENCE HEALTH THEREFORE, THESE FOUR INDICATORS WERE ALSO IDENTIFIED AS AREAS OF NEED THE PUBLIC HEALTH DEPARTMENT AND HOSPITAL RECOGNIZE THE IMPORTANCE OF EACH OF THE HEALTH INDICATORS AND ARE COMMITTED TO IMPACT AS MANY HEALTH MEASURES AS POSSIBLE THROUGH DIRECT CONTRIBUTION, COMMUNITY COLLABORATION, AND PARTNERSHIP SALEM HOSPITAL'S COMMUNITY BENEFIT ACTIVITIES WILL FOCUS PRIMARILY ON IMPROVING HEALTH IN MARION AND POLK COUNTIES, WHILE ASSISTING WEST VALLEY HOSPITAL, ALSO A PART OF SALEM HEALTH, WITH ITS WORK TO IMPACT HEALTH ISSUES IN POLK COUNTY

Form and Line Reference	Explanation
PART VI, LINE 3	IT IS THE POLICY OF SALEM HOSPITAL TO PROVIDE FINANCIAL COUNSELING TO PATIENTS REGARDING THEIR FINANCIAL OBLIGATION AT THE EARLIEST OPPORTUNITY POSSIBLE SALEM HOSPITAL PROVIDES A VARIETY OF OPTIONS TO ASSIST PATIENTS IN RESOLVING THEIR ACCOUNTS, INCLUDING OREGON HEALTH PLAN (OHP) SCREENING, CHARITY ASSISTANCE, LOANS, AND EXTENDED PAYMENT PLANS DISCOUNTS MAY BE AVAILABLE ON THE NET BALANCE FOR PATIENTS AT OR BELOW 400% OF THE FEDERAL POVERTY LEVEL PATIENTS AT OR BELOW 200% OF THE POVERTY LEVEL ARE ELIGIBLE FOR 100% CHARITY ASSISTANCE ALL UNINSURED PATIENTS WITH BALANCES OVER $500 ARE SCREENED FOR ELIGIBILITY THROUGH THE OREGON HEALTH PLAN (OHP), CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT (COBRA) ELIGIBILITY, AND/OR ELIGIBILITY INTO THE FAMILY HEALTH INSURANCE ASSISTANCE PLAN (FHIAP) PROGRAM SALEM HOSPITAL OR ITS REPRESENTATIVE WILL REVIEW THE PATIENT'S CURRENT RESOURCES AND WORK WITH HIM/HER TO GAIN ELIGIBILITY FOR ANY OF THESE PROGRAMS AS APPROPRIATE PATIENTS THAT ARE NOT ELIGIBLE FOR OHP OR THE OTHER PROGRAMS LISTED ABOVE, AND HAVE FINANCIAL CONSTRAINTS THAT INHIBIT THEIR ABILITY TO PAY, WILL BE ASSESSED FOR EITHER CHARITY CARE OR A FINANCIAL DISCOUNT INFORMATION ON THE HOSPITAL'S CHARITY CARE & FINANCIAL POLICY SHALL BE MADE PUBLICLY AVAILABLE IN THE FOLLOWING MANNER - NOTICES ARE POSTED IN KEY AREAS OF THE HOSPITAL, INCLUDING ADMITTING, THE EMERGENCY DEPARTMENT, OUTPATIENT DEPARTMENT REGISTRATION AREAS, AND THE BUSINESS OFFICE - THE CONDITIONS OF ADMISSION FORM INFORMS THE PATIENT OF THEIR RIGHT TO APPLY FOR CHARITY CARE - WRITTEN INFORMATION SHALL BE AVAILABLE IN ENGLISH AND SPANISH THE HOSPITAL WILL PROVIDE THE APPROPRIATE INTERPRETATION SERVICES FOR ALL PATIENTS WHO DO NOT SPEAK ENGLISH - FRONT-LINE STAFF IS TRAINED TO ANSWER CHARITY CARE QUESTIONS EFFECTIVELY AND WILL DIRECT ANY QUESTIONS THAT CANNOT BE ANSWERED TO BUSINESS OFFICE STAFF IN A TIMELY MANNER - THIS POLICY IS POSTED ON SALEM HOSPITAL'S WEBSITE WRITTEN INFORMATION ABOUT THIS POLICY IS MADE AVAILABLE TO ANY PERSON WHO REQUESTS THE INFORMATION - THE FIRST PATIENT STATEMENT WILL INCLUDE A NOTICE THAT CHARITY CARE AND/OR FINANCIAL ASSISTANCE IS AVAILABLE

Form and Line Reference	Explanation
PART VI, LINE 4	SALEM HOSPITAL SERVES MARION AND POLK COUNTIESMARION COUNTY POPULATION ESTIMATE IN 2013 WAS REPORTED 232,614 WITH PERSONS UNDER THE AGE OF 18 YEARS MAKING UP 26% OF THE POPULATION AND THOSE OVER 65 YEARS 13 6% OF THE POPULATION 24 1% OF MARION COUNTY RESIDENTS ARE HISPANIC OR LATINO, 1 4% BLACK OR AFRICAN AMERICAN, 2 5% AMERICAN INDIAN AND ALASKA NATIVE 67 8% ARE WHITE, NOT HISPANIC OR LATINO OVERALL EIGHTEEN PERCENT OF PERSONS, AND 27 1% OF CHILDREN LIVE BELOW THE FEDERAL POVERTY LEVEL IN MARION COUNTY POLK COUNTY POPULATION ESTIMATE IN 2013 WAS 76,794 WITH PERSONS UNDER THE AGE OF 18 YEARS MAKING UP 23 6% OF THE POPULATION AND THOSE OVER 65 YEARS 15 8% OF THE POPULATION 12 6% OF POLK COUNTY RESIDENTS ARE HISPANIC OR LATINO, 0 7% BLACK OR AFRICAN AMERICAN, 2 4% AMERICAN INDIAN AND ALASKA NATIVE 79 9% ARE WHITE, NOT HISPANIC OR LATINO OVERALL 14 6% OF PERSONS, AND 18 9% OF CHILDREN LIVE BELOW THE FEDERAL POVERTY LEVEL IN POLK COUNTY

Form and Line Reference	Explanation
PART VI, LINE 5	SALEM HOSPITAL IS GOVERNED BY AN ALL-VOLUNTEER COMMUNITY-BASED BOARD OF TRUSTEES (BOARD) HOSPITAL LEADERSHIP AND EXECUTIVE STAFF SERVE ON COMMUNITY NON-PROFIT ADVISORY BOARDS AND PROFESSIONAL ASSOCIATIONS THE ORGANIZATION EXTENDS MEDICAL STAFF PRIVILEGES TO QUALIFIED PHYSICIANS IN ITS COMMUNITY AND PROVIDES FREE OFFICE SPACE AND OTHER IN-KIND SUPPORT SERVICES TO NON-PROFIT ORGANIZATIONS SALEM HOSPITAL PROVIDES FINANCIAL SUPPORT AND SPONSORSHIP TO NONPROFIT ORGANIZATIONS BY LEVERAGING HOSPITAL RESOURCES AND WORKING IN COLLABORATIVE PARTNERSHIPS, SALEM HOSPITAL IS ABLE TO PROVIDE BENEFITS THAT REACH BEYOND HEALTHCARE DELIVERY AND POSITIVELY IMPACT THE SOCIAL DETERMINANTS OF HEALTH

Form and Line Reference	Explanation
PART VI, LINE 6	SALEM HOSPITAL IS AN OREGON NONPROFIT CORPORATION AND A TAX-EXEMPT ORGANIZATION DESCRIBED IN SECTION 501(C)(3) OF THE CODE SALEM HEALTH IS THE "PARENT" CORPORATION AND SOLE CORPORATE MEMBER OF THE CORPORATION, SALEM HOSPITAL, SALEM HOSPITAL FOUNDATION, WEST VALLEY HOSPITAL, WEST VALLEY HOSPITAL FOUNDATION, WILLAMETTE VALLEY INSURANCE CORPORATION, AND WILLAMETTE VALLEY PROFESSIONAL SERVICES ALL ENTITIES WITHIN THE PARENT CORPORATION ARE SEPARATE NONPROFIT CORPORATIONS SALEM HOSPITAL IS AN OREGON NONPROFIT CORPORATION AND A TAX-EXEMPT ORGANIZATION THE CORPORATION ALSO DOES BUSINESS UNDER THE NAME "SALEM HOSPITAL, A PART OF SALEM HEALTH " SALEM HOSPITAL IS ONE OF THE LARGEST ACUTE CARE HOSPITALS IN OREGON LICENSED FOR 454 BEDS, SALEM HOSPITAL OFFERS A BROAD RANGE OF INPATIENT AND OUTPATIENT SERVICES AN AREA OF OVER 500,000 PEOPLE, INCLUDING ALL OF MARION AND POLK AND PORTIONS OF LINN AND YAMHILL COUNTIES INCLUDING THE RESIDENTS OF THE CITY OF SALEM, THE STATE CAPITAL OF OREGON SALEM HOSPITAL IS THE LARGEST PRIVATE EMPLOYER IN SALEM, OREGON, WITH APPROXIMATELY 3,252 FULL AND PART-TIME EMPLOYEES (AS OF SEPTEMBER 30, 2014) THE MEDICAL STAFF IS COMPRISED OF APPROXIMATELY 482 PHYSICIANS REPRESENTING MORE THAN 50 SPECIALTIES AND SUBSPECIALTIES, AND MORE THAN 300 VOLUNTEERS PROVIDE NON-MEDICAL SUPPORT FOR SALEM HOSPITAL SALEM HOSPITAL, AS PART OF SALEM HEALTH IS GOVERNED BY AN ALL-VOLUNTEER COMMUNITY-BASED BOARD OF TRUSTEES (BOARD) THE BOARD HAS THE RESPONSIBILITY FOR THE DEVELOPMENT AND OVERSIGHT OF SALEM HEALTH VALUES, VISION, PURPOSE AND LONG-TERM STRATEGY THROUGH THESE DOCUMENTS, THE COMMUNITY BENEFIT STEERING COMMITTEE ASSESSES AND REAFFIRMS SALEM HOSPITAL'S COMMUNITY BENEFIT COMMITMENTS AND CONNECTIONS WITH COMMUNITY NEEDS AND PRIMARY CONSTITUENCIES THE COMMUNITY BENEFIT PLAN ASSURES MEASUREMENT AND COMPARISON OF SALEM HOSPITAL'S COMMUNITY ACTIVITIES TO EVOLVING NORMS AND OVERSEES THE CLEAR AND ACCURATE COMMUNICATION OF THESE ACTIVITIES TO KEY CONSTITUENCIES

Form and Line Reference	Explanation
PART VI, LINE 7, REPORTS FILED WITH STATES	OR

Additional Data

Software ID:
Software Version:
EIN: 93-0579722
Name: SALEM HOSPITAL

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
SALEM HOSPITAL	PART V, SECTION B, LINE 3 IN BOTH MARION AND POLK COUNTIES, PUBLIC HEALTH DIRECTORS AND MANAGERS WORKED WITH THE SALEM HOSPITAL COMMUNITY BENEFIT DIRECTOR TO GATHER COMMUNITY PARTNERS FOR REVIEW OF HEALTH INDICATORS AND TO PRIORITIZE NEEDS ALTHOUGH INDIVIDUALS VARIED, GROUPS REPRESENTED INCLUDED THE UNITED WAY OF THE MID-WILMETTE VALLEY, FAITH-BASED ORGANIZATIONS, RED CROSS OF THE MID-WILLAMETTE VALLEY, OSU EXTENSION, WESTERN OREGON UNIVERSITY, MARION-POLK MEDICAL SOCIETY, MARION AND POLK COUNTY MENTAL HEALTH, SCHOOL DISTRICTS WITHIN MARION AND POLK COUNTY, MARION-POLK COUNTY FAMILY YMCA, THE I LOVE ME DIABETES TASK FORCE, SILVERTON HOSPITAL, AND SANTIAM HOSPITAL IN ADDITION, AS THE HOSPITAL BOARD OF TRUSTEES REVIEWED THE RICH SOURCES OF SECONDARY DATA, THE COLLABORATIVE HEALTH REPORT AND WORK OF THE CHIP, IT BECAME APPARENT THAT LIMITED PRIMARY DATA WAS AVAILABLE LIKEWISE, THERE WAS LITTLE UNDERSTANDING OF PERCEIVED NEED FROM HEALTH SYSTEM PROVIDERS IN 2013, THE BOARD ORGANIZED A SERIES OF FIVE FOCUS GROUPS TO HELP FURTHER UNDERSTAND THE NEEDS OF THE COMMUNITY THE FOCUS GROUP PARTICIPANTS INCLUDED EMERGENCY DEPARTMENT AND URGENT CARE PROVIDERS, SAFETY NET PROVIDERS, PRIMARY CARE PROVIDERS, MENTAL AND BEHAVIORAL HEALTH PROVIDERS AND SENIOR SERVICES AGENCY REPRESENTATIVES THE GOAL WAS TO GAIN FIRST-HAND KNOWLEDGE OF THE CHALLENGES WITHIN THE CURRENT HEALTH SYSTEM IN PROVIDING SERVICES FOR VULNERABLE POPULATIONS

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
SALEM HOSPITAL	PART V, SECTION B, LINE 4 THE CHNA WAS DONE IN COLLABORATION WITH WEST VALLEY HOSPITAL

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
SALEM HOSPITAL	PART V, SECTION B, LINE 6I SALEM HOSPITAL COMMUNITY BENEFIT ACTIVITY TO ADDRESS AREAS OF NEED IN MARION COUNTYHEALTH NEED ACCESS TO MEDICAL AND MENTAL HEALTH SERVICES COMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED -DEVELOPMENT AND PARTICIPATION IN THE WILLAMETTE VALLEY COORDINATED CARE ORGANIZATION (CCO)-RECRUITMENT OF PRIMARY CARE PROVIDERS TO SERVE MARION AND POLK COUNTIES-SPONSORSHIP OF THE SALEM FREE CLINIC AND DALLAS FREE MEDICAL CLINIC-SUPPORT OF PROGRAMS THAT PROVIDE TRANSPORTATION TO MEDICAL SERVICES-DEVELOPMENT OF THE HEALTHCARE WORKFORCEHEALTH NEED CHRONIC DISEASE PREVENTION AND SELF MANAGEMENT COMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED -IMPLEMENT COUNTY-WIDE COMMUNITY HEALTH IMPROVEMENT PLANS WITH PRIMARY FOCUS OF OBESITY PREVENTION-IMPROVE ACCESS TO PRIMARY CARE MEDICAL HOMES FOR RESIDENTS OF POLK COUNTY-FUND SAFETY NET SERVICES IN POLK COUNTY-OFFER CHRONIC DIABETES PREVENTION AND SELF MANAGEMENT PROGRAMS TO UNDERSERVED COMMUNITIES AND INDIVIDUALS-PROVIDE IN-KIND SUPPORT AND MEETING ROOMS FOR COMMUNITY SUPPORT GROUPSHEALTH NEED ASTHMACOMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED THIS NEED IS DIRECTLY LINKED TO ACCESS TO HEALTH SERVICES ACCESS TO CARE WILL IMPROVE MANAGEMENT OF THIS CONDITION THROUGH MEDICATION PREVENTION STRATEGIES AND BETTER PATIENT EDUCATION TO AVOID CONTACT WITH PREVENTABLE TRIGGERS HEALTH NEED CANCER MORTALITYCOMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED SALEM HOSPITAL PARTNERS WITH SALEM GASTROENTEROLOGY OF SALEM EACH YEAR IN A MONTH-LONG COLON CANCER AWARENESS CAMPAIGN TO ENCOURAGE MORE PEOPLE TO RECEIVE COLON CANCER SCREENING - EDUCATION/AWARENESS TO PROMOTE COLON CANCER SCREENING, INCREASING FIBER IN YOUR DIET, AND EARLY DETECTION -GO DOWNTOWN'S FIRST WEDNESDAY IN MARCH-VOLCANOES CANCER AWARENESS WEEKEND-UNION GOSPEL MISSION-HOMELESS CONNECT FAIR-NATIONAL DRESS IN BLUE DAY IS THE FIRST FRIDAY IN MARCH -SCREENING 500 STOOL TESTING KITS DISTRIBUTED THROUGHOUT THE COMMUNITY AT VARIOUS LOCATIONS INCLUDING WEST SALEM CLINICTHE PHYSICIAN'S BUILDINGSALEM HOSPITAL PHARMACYWILLAMETTE HEALTH PARTNERSSALEM FREE MEDICAL CLINICSALEM CLINICHEALTH NEED EARLY PRENATAL CARE COMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED THIS NEED IS DIRECTLY LINKED TO ACCESS TO HEALTH SERVICES AND INCLUDES -DEVELOPMENT AND PARTICIPATION IN THE WILLAMETTE VALLEY COORDINATED CARE ORGANIZATION-RECRUITMENT OF PRIMARY CARE PROVIDERS TO SERVE MARION COUNTY-SPONSORSHIP OF SALEM FREE CLINIC -SUPPORT PROGRAMS THAT PROVIDE TRANSPORTATION TO MEDICAL SERVICESHEALTH NEED PNEUMONIA VACCINATION RATE AGE 65+COMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED THIS HEALTH NEED IS ALSO LINKED TO ACCESS TO HEALTH SERVICES IN ADDITION AT SALEM HOSPITAL, ALL PATIENTS OVER THE AGE OF 6 ARE ASSESSED FOR THE NEED FOR PNEUMOCOCCAL POLYSACCHARIDE (AKA PNEUMOVAX 23) IF NEED IS INDICATED, IMMUNIZATIONS ARE PROVIDED SALEM HEALTH, PRIMARY CARE CLINICS OFFER PNEUMONIA VACCINE TO PATIENTS AND THE HOSPITAL'S OUTREACH DEPARTMENT PARTNERS WITH COUNTY, HEALTH DEPARTMENT CLINICS TO REFER PATIENTS PNEUMOCOCCAL VACCINE IS OFFERED YEAR ROUND TO SENIORS HEALTH NEED SOCIAL DETERMINATES OF HEALTHTHE SOCIAL DETERMINANTS OF HEALTH TOPIC AREA WITHIN HEALTHY PEOPLE 2020 IS DESIGNED TO IDENTIFY WAYS TO CREATE SOCIAL AND PHYSICAL ENVIRONMENTS THAT PROMOTE GOOD HEALTH FOR ALL ALL AMERICANS DESERVE AN EQUAL OPPORTUNITY TO MAKE CHOICES THAT LEAD TO GOOD HEALTH BUT TO ENSURE THAT ALL AMERICANS HAVE THAT OPPORTUNITY, ADVANCES ARE NEEDED NOT ONLY IN HEALTH CARE, BUT ALSO IN FIELDS SUCH AS EDUCATION, CHILDCARE, HOUSING, BUSINESS, LAW, MEDIA, COMMUNITY PLANNING, TRANSPORTATION, AND AGRICULTURE MAKING THESE ADVANCES INVOLVES WORKING TOGETHER TO -EXPLORE HOW PROGRAMS, PRACTICES, AND POLICIES IN THESE AREAS AFFECT THE HEALTH OF INDIVIDUALS, FAMILIES, AND COMMUNITIES -ESTABLISH COMMON GOALS, COMPLEMENTARY ROLES, AND ONGOING CONSTRUCTIVE RELATIONSHIPS BETWEEN THE HEALTH SECTOR AND THESE AREAS -MAXIMIZE OPPORTUNITIES FOR COLLABORATION AMONG STATE-, AND LOCAL-LEVEL PARTNERS RELATED TO SOCIAL DETERMINANTS OF HEALTH COMMUNITY BENEFIT ACTIVITIES TO ADDRESS THIS NEED -COMMUNITY EVENT SPONSORSHIP-SALEM HEALTH LEADERS PARTICIPANT IN COMMUNITY ACTION AGENCIES-EDUCATION CLASSES AND EVENTS TO BIRTH OUTCOME-TOBACCO CESSATION, EDUCATION AND AWARENESS-HEALTHCARE WORKFORCE DEVELOPMENT-OUTREACH TO LOW INCOME COMMUNITIES-CAREGIVER SUPPORT

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
SALEM HOSPITAL	PART V, SECTION B, LINE 7 NOT ALL IDENTIFIED NEEDS ARE BEING ADDRESSED IN THE HOSPITALS COMMUNITY BENEFIT PLAN TEEN PREGNANCY AND ADULT BINGE DRINKING IN POLK COUNTY WILL NOT BE ADDRESSED THE MARION COUNTY CHIP IDENTIFIED TEEN PREGNANCY AS A HEALTH PRIORITY AREA THE COUNTY HEALTH DEPARTMENT IS TAKING THE LEAD TO ADDRESS THIS HEALTH NEED AND DATA SHOWS SIGNIFICANT IMPROVEMENT IN THIS HEALTH INDICATOR SINCE 2007, WHEN THE RATE WAS 43 0 PREGNANCIES PER 1,000 FEMALES AGED 15 -17 FROM 2010 THROUGH 2011 THE RATE DROPPED FROM 30 6 TO 23 2 PER 1,000 LIKEWISE, POLK COUNTY TEEN PREGNANCIES ARE 16 4 PREGNANCIES PER 1,000 FEMALES AGED 15-17 AND RATES CONTINUE TO SHOW SIGNIFICANT IMPROVEMENT SINCE 2007 WHEN THE RATE WAS REPORTED AT 20 5 PREGNANCIES PER 1,000 FEMALES AGED 15-17 SALEM HOSPITAL WILL CONTINUE TO MONITOR IMPROVEMENT AND PARTNER WITH KEY AGENCIES TO SUSTAIN IMPROVEMENT IN POLK COUNTY 16 5 PERCENT OF ADULT MALES REPORTED BINGE DRINKING AT LEAST ONCE DURING THE 30 DAYS PRIOR TO THE SURVEY BINGE DRINKING IS DEFINED AS FIVE OR MORE DRINKS ON ONE OCCASION WHILE COMMUNITY PARTNERING AGENCIES IDENTIFIED BINGE DRINKING AS A HEALTH PRIORITY, THE HEALTHY PEOPLE 2020 NATIONAL HEALTH TARGET IS TO REDUCE THE PROPORTION OF ADULTS AGED 18 YEARS AND OLDER ENGAGING IN BINGE DRINKING DURING THE PAST 30 DAYS TO 24 3 PERCENT POLK COUNTY DATA SHOWS ADULT MALE BINGE DRINKING WELL BELOW THE NATIONAL TARGET

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
SALEM HOSPITAL	PART V, SECTION B, LINE 20D SALEM HOSPITAL USED THE APPROVED PROSPECTIVE AGB CALCULATION METHOD FROM THE PROPOSED REGULATIONS THAT INCLUDES MEDICARE AND COMMERCIAL PAYOR RATES

efile GRAPHIC print - DO NOT PROCESS | As Filed Data - | DLN: 93493224026335

Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

▶ **Information about Schedule I (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SALEM HOSPITAL

Employer identification number
93-0579722

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 12

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

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

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
(1) CASH ASSISTANCE TO PATIENTS IN NEED FOR PRESCRIPTIONS, LIFELINE SUPPORT, REHABILITATION AND OTHER URGENT NEEDS	202	53,628			
(2) SCHOLARSHIPS FOR HEALTH PROFESSIONS EDUCATION		184,100			

Part IV **Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	GRANTS ARE ONLY MADE TO QUALIFIED EXEMPT ORGANIZATIONS NO MONITORING IS REQUIRED

Additional Data

Software ID:
Software Version:
EIN: 93-0579722
Name: SALEM HOSPITAL

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MARION COUNTY TREASURER 3180 CENTER STREET NE SALEM,OR 97301	93-6002307	MARION COUNTY	13,260				ACCESS TO PRENATAL CARE

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MEDICAL FOUNDATION OF MARION & POLK COUNTIES 2995 RYAN DRIVE STE 100 SALEM,OR 97301	93-1261633	501 (C) (3)	15,000				IMPROVE ACCESS TO HEALTHCARE

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
AMERICAN CANCER SOCIETY 2120 1ST AV N SEATTLE,WA 98121	84-1316555	501 (C)(3)	5,000				RELAY FOR LIFE SPONSORSHIP/IMPROVE SOCIAL DETERMINATE OF HEALTH

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
FESTIVAL OF LIGHTS 4742 LIBERTY RD S 211 SALEM,OR 97302	93-1323330	501 (C) (3)	5,000				DISEASE PREVENTION

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MARCH OF DIMES PO BOX 28256 PORTLAND,OR 97228	13-1846366	501 (C) (3)	7,500				IMPROVE SOCIAL DETERMINATE OF HEALTH

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
SALEM FREE MEDICAL CLINIC 1300 BROADWAY ST NE STE 104 SALEM,OR 97301	20-3549992	501 (C) (3)	110,000				ACCESS TO CARE (SALEM & DALLAS)

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
SALEM HOSPITAL FOUNDATION PO BOX 14001 SALEM,OR 97309	23-7002687	501 (C) (3)	5,000				CHARITABLE CONTRIBUTION GOLF TOURNAMENT

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
PSYCHIATRIC CRISIS CENTER PO BOX 14500 SALEM,OR 97309	93-6002307	MARION COUNTY		148,264	ALLOCATION OF COSTS	FREE RENT INCLUDING UTILITIES	ACCESS TO MEDICAL SERVICES

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
MEDASSIST AND PROJECT ACCESS 2995 RYAN DRIVE STE 100 SALEM,OR 97301	93-1261633	501 (C) (3)		25,298	ALLOCATION OF COSTS	FREE RENT INCLUDING UTILITIES	ACCESS TO MEDICAL SERVICES

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
CITY OF SALEM 555 LIBERTY ST SE SALEM,OR 97301	93-6002249	MUNICIPALITY	5,000				IMPROVE SOCIAL DETERMINATE OF HEALTH

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
THE FOUNDATION FOR MEDICAL EXCELLENCE 1 SW COLUMBIA ST 860 PORTLAND,OR 97258	93-0632522	501 (C) (3)	27,500				ACCESS TO CARE

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
SALEM KEIZER EDUC FOUNDATION 233 COMMERICAL STREET NE SALEM,OR 97301	93-0831467	501 (C) (3)	5,000				DISEASE PREVENTION

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
LINDA L VLADYKA BREAST WELLNESS FOUNDATION 4742 LIBERTY RD S PMB 270 SALEM,OR 97302	93-1328274	501 (C) (3)	5,500				IMPROVE SOCIAL DETERMINATE OF HEALTH

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
SALEM MULTICULTURAL INST PO BOX 4611 SALEM,OR 97302	91-1780361	501 (C) (3)	5,000				IMPROVE SOCIAL DETERMINATE OF HEALTH

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
THE ODA CHARITABLE ACTIVE FUND PO BOX 3710 WILSONVILLE,OR 97070	93-6041775	501 (C) (3)	10,000				MISSION OF MERCY/IMPROVE SOCIAL DETERMINATE OF HEALTH

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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
SALEM HOSPITAL

Employer identification number
93-0579722

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**	Yes	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**	Yes	
b	Any related organization?	**6b**	Yes	
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**	Yes	
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**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

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

(A) Name 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, LINES 4A-B	SEVERANCE PAYMENTS WERE MADE TO ANNE KOLLER ($205,200) AND WILLIAM HOLLOWAY ($120,618) THESE AMOUNTS HAVE BEEN INCLUDED IN 'OTHER REPORTABLE COMPENSATION' ON PART II SOME OF THE HOSPITAL'S EMPLOYEES RECEIVE DEFERRED COMPENSATION UNDER A 457(F) NONQUALIFIED PLAN THIS COMPENSATION IS INCLUDED IN COMPENSATION REPORTED IN PART II THE TOTAL NONQUALIFIED PORTION OF EACH PERSONS DEFERRED COMPENSATION IS NORMAN GRUBER $295,710 ($95,710 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $200,000 INCLUDED IN DEFERRED COMPENSATION) AARON CRANE $66,649 ($35,905 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $30,743 INCLUDED IN DEFERRED COMPENSATION) ROBERT BRANNIGAN $20,106 (INCLUDED IN DEFERRED COMPENSATION) LAURIE BARR $18,186 (INCLUDED IN DEFERRED COMPENSATION) MARTHA ENRIQUEZ $21,655 (INCLUDED IN DEFERRED COMPENSATION) MARTIN MORRIS $36,528 ($19,491 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $17,037 INCLUDED IN DEFERRED COMPENSATION) CHERYL NESTER WOLFE $68,777 ($37,139 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $31,639 INCLUDED IN DEFERRED COMPENSATION) CORT GARRISON $25,278 (INCLUDED IN DEFERRED COMPENSATION) WILLIAM HOLLOWAY $80,852 ($45,816 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $35,036 INCLUDED IN DEFERRED COMPENSATION) NANCY BOUTIN $16,795 ($2,993 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $13,802 INCLUDED IN DEFERRED COMPENSATION) NICOLE VANDERHEYDEN $53,645 ($27,568 INCLUDED IN BONUS & INCENTIVE COMPENSATION AND $26,077 INCLUDED IN DEFERRED COMPENSATION) THYE SCHUYLER $12,161 (INCLUDED IN DEFERRED COMPENSATION) LEAH MITCHELL $13,270 (INCLUDED IN DEFERRED COMPENSATION)
PART I, LINE 6	CERTAIN PHYSICIANS RECEIVE INCENTIVE COMPENSATION IN ACCORDANCE WITH THEIR EMPLOYMENT AGREEMENTS WITH SALEM HOSPITAL AMOUNTS NOTED ON SCHEDULE J PART II COLUMN (II) REFLECT PAYMENTS EARNED BY THESE PHYSICIAN EMPLOYEES IN SUCH AGREEMENTS ADDITIONALLY, FOR KEY EMPLOYEES AND MANAGEMENT OF SALEM HOSPITAL THE BOARD OF TRUSTEES HAS APPROVED AN ANNUAL LEADERSHIP INCENTIVE PROGRAM THAT PROVIDES FOR INCENTIVE PAYMENTS BASED ON OBJECTIVE CRITERIA RELATED TO QUALITY AND SAFETY, ENGAGEMENT, PATIENT SATISFACTION AND FINANCIAL PERFORMANCE ROBERT BRANNIGAN'S INCENTIVE PAYMENTS ARE BASED ON WEST VALLEY HOSPITAL'S BOARD APPROVED LEADERSHIP INCENTIVE PLAN AMOUNTS NOTED ON SCHEDULE J PART II COLUMN (II) REFLECT PAYMENTS EARNED UNDER THE LEADERSHIP INCENTIVE PLAN
PART I, LINE 7	THE GOVERNANCE COMMITTEE OF THE BOARD OF TRUSTEES, IN CONSULTATION WITH INDEPENDENT COMPENSATION CONSULTANTS, REVIEWS CEO TOTAL COMPENSATION AND PERFORMANCE ANNUALLY AS PART OF THE COMMITTEE'S ACTIONS, A NON-FIXED BONUS MAY BE AWARDED TO THE CEO IN THIS YEAR THE NON-FIXED PAYMENT WAS PAID UNDER THE 457(F) NONQUALIFIED PLAN AND IS INCLUDED IN DEFERRED COMPENSATION REPORTED IN PART II

Additional Data

Software ID:
Software Version:
EIN: 93-0579722
Name: SALEM HOSPITAL

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
NORMAN GRUBER CHIEF EXECUTIVE OFFICER	(I) (II)	760,325 0	95,710 0	14,126 0	219,125 0	38,822 0	1,128,108 0	0 0
AARON CRANE CHIEF FINANCIAL AND STRATEGY OFFICER	(I) (II)	462,111 0	55,230 0	12,919 0	47,318 0	27,954 0	605,532 0	0 0
ROBERT BRANNIGAN CHIEF ADMIN OFFICER WVH	(I) (II)	315,509 0	26,681 0	7,341 0	34,131 0	25,337 0	408,999 0	0 0
LAURIE BARR VP HUMAN RESOURCES	(I) (II)	267,061 0	11,418 0	1,106 0	34,761 0	23,880 0	338,226 0	0 0
MARTHA ENRIQUEZ CHIEF NURSING OFFICER	(I) (II)	334,387 0	13,596 0	7,341 0	35,680 0	31,357 0	422,361 0	0 0
MARTIN MORRIS CHIEF DEVELOPMENT OFFICER/VP COMM OU	(I) (II)	258,849 0	30,188 0	7,152 0	36,162 0	20,013 0	352,364 0	0 0
CHERYL NESTER WOLFE CHIEF OPERATING OFFICER	(I) (II)	464,418 0	57,026 0	7,341 0	48,214 0	28,351 0	605,350 0	0 0
CORT GARRISON CHIEF INFORMATION OFFICER	(I) (II)	356,414 0	15,871 0	2,558 0	39,302 0	31,560 0	445,705 0	0 0
WILLIAM HOLLOWAY MD CHIEF MEDICAL OFFICER	(I) (II)	510,632 0	45,816 0	4,783 0	51,611 0	33,712 0	646,554 0	0 0
LEAH MITCHELL VP KAIZEN QUALITY & SAFETY	(I) (II)	193,076 0	8,290 0	836 0	26,367 0	12,905 0	241,474 0	0 0
LORI JAMES-NIELSEN VP STRAT & BUSINESS INTEGRATION	(I) (II)	146,141 0	7,138 0	163 0	11,792 0	27,605 0	192,839 0	0 0
AMR HEGAZI MD ANESTHESIOLOGIST	(I) (II)	376,693 0	133,285 0	1,169 0	14,025 0	31,253 0	556,425 0	0 0
AHMED EBEID MD PHYSICIAN	(I) (II)	451,493 0	201,262 0	1,219 0	8,492 0	33,347 0	695,813 0	0 0
NANCY BOUTIN MD PHYSICIAN	(I) (II)	342,183 0	102,993 0	4,503 0	27,827 0	26,725 0	504,231 0	0 0
NICOLE VANDERHEYDEN MD TRAUMA SURGEON	(I) (II)	511,136 0	27,568 0	3,328 0	42,652 0	34,478 0	619,162 0	0 0
THYE SCHUYLER MD PHYSICIAN	(I) (II)	330,304 0	40,684 0	33,438 0	26,186 0	25,982 0	456,594 0	0 0
ANNE KOLLER CHIEF MARKETING OFFICER	(I) (II)	184,894 0	42,428 0	102,109 0	9,130 0	19,998 0	358,559 0	0 0
BEVERLY BOW FORMER VP KAIZEN	(I) (II)	114,089 0	0 0	12,388 0	0 0	8,883 0	135,360 0	0 0

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SALEM HOSPITAL

Employer identification number
93-0579722

Part I Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	THE HOSPITAL FACILITY AUTHORITY OF THE CITY OF SALEM OREGON REVENUE BONDS	52-1542796	794458CL1	11-15-2006	123,122,698	CONSTRUCTION AND RENOVATION OF VARIOUS CAMPUS FACILITIES		X		X		X
B	THE HOSPITAL FACILITY AUTHORITY OF THE CITY OF SALEM OREGON REVENUE BONDS	52-1542796	794458CY3	11-13-2008	125,000,000	REFUND SERIES 2004AB AND 2006B PATIENT TOWER CONSTRUCTION AND OTHER IMP		X		X		X
C	THE HOSPITAL FACILITY AUTHORITY OF THE CITY OF SALEM OREGON REVENUE BONDS	52-1542796	794458CX5	10-08-2008	60,487,711	REFUND SERIES 2004A, CONSTRUCTION AND RENOVATION OF VARIOUS BUILDINGS		X		X		X
D	THE HOSPITAL FACILITY AUTHORITY OF THE CITY OF SALEM OREGON REVENUE BONDS	52-1542796	NONEAVAIL	06-27-2013	69,965,000	CURRENT REFUNDING, FINANCE VARIOUS IMPROVEMENTS TO HEALTH CARE FACILITIES		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	6,290,000	50,000,000	13,510,000	
2	Amount of bonds legally defeased				
3	Total proceeds of issue	128,355,347	125,021,764	60,620,921	70,118,238
4	Gross proceeds in reserve funds			5,991,467	
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrows				
7	Issuance costs from proceeds	1,105,000	633,004	837,965	299,004
8	Credit enhancement from proceeds		1,153,492		
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds	127,250,347	9,260,268	6,160,859	13,970,150
11	Other spent proceeds		113,975,000	47,630,629	50,003,336
12	Other unspent proceeds				5,845,748
13	Year of substantial completion	2009	2009	2009	

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

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X		X		X		X	
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X		X		X		X	
c	Are there any research agreements that may result in private business use of bond-financed property?	X		X		X		X	
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?	X		X		X		X	
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶		2 100 %		0 700 %		0 800 %		0 400 %
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶		0 200 %		0 100 %		0 100 %		
6	Total of lines 4 and 5		2 300 %		0 800 %		0 900 %		0 400 %
7	Does the bond issue meet the private security or payment test?		X		X		X		X
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		X
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?	X		X		X		X	

Part IV Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		X
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X		X	X	
b	Exception to rebate?	X		X		X		X	
c	No rebate due?		X		X	X			X
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?		X	X			X		X
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X	X			X		X
b	Name of provider			UBS AG					
c	Term of hedge			25 800000000000					
d	Was the hedge superintegrated?				X				
e	Was the hedge terminated?				X				

Part IV Arbitrage *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	X			X		X		X
b	Name of provider	WELLS FARGO BANK NA							
c	Term of GIC	2 000000000000							
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?	X							
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X		X	

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
SUPPLEMENTAL INFORMATION	A DIFFERENCE BETWEEN PART I(E) AND PART II QUESTION 3 IS DUE TO INTEREST EARNED FROM THE CONSTRUCTION FUND A PART IV, LINE 2(B) THE PORTION OF THE BONDS THAT WAS DEPOSITED TO THE CONSTRUCTION FUND HAS MET THE 2-YEAR EXPENDITURE EXCEPTION NO REBATE PAYMENT HAS BEEN OR WILL EVER BE MADE B DIFFERENCE BETWEEN PART I(E) AND PART II QUESTION 3 IS DUE TO INTEREST EARNED FROM THE PROJECT, COSTS OF ISSUANCE, AND DEBT SERVICE RESERVE FUNDS B PART I(F) BONDS REFUNDED BY SERIES 2008A SERIES 2004A (ISSUED NOVEMBER 23, 2004) B PART IV, LINE 2(B) THE PORTION OF THE BONDS THAT WAS EXPENDED TO FINANCE A CURRENT REFUNDING HAS MET THE 6-MONTH EXPENDITURE EXCEPTION B PART IV, LINE 2(C) THE REBATE COMPUTATION WAS PERFORMED ON OCTOBER 1, 2014 C DIFFERENCE BETWEEN PART I(E) AND PART II QUESTION 3 IS DUE TO INTEREST EARNED FROM THE PROJECT FUND C PART I(F) BONDS REFUNDED BY SERIES 2008B SERIES 2004AB (ISSUED NOVEMBER 23, 2004) AND SERIES 2006B (ISSUED NOVEMBER 15, 2006) C PART IV, LINE 2(B) THE PORTION OF THE BONDS THAT WAS EXPENDED TO FINANCE A CURRENT REFUNDING AND THE PORTION OF THE BONDS THAT WAS DEPOSITED TO THE PROJECT AND COSTS OF ISSUANCE FUNDS, COLLECTIVELY, HAVE MET THE 6-MONTH EXPENDITURE EXCEPTION D DIFFERENCE BETWEEN PART I(E) AND PART II QUESTION 3 IS DUE TO INTEREST EARNED FROM THE PROJECT FUND AND COSTS OF ISSUANCE D PART I(F) BONDS REFUNDED BY SERIES 2013AB SERIES 2008C (ISSUED NOVEMBER 13, 2008) D PART IV, LINE 2(B) THE PORTION OF THE BONDS THAT WAS EXPENDED TO FINANCE A CURRENT REFUNDING HAS MET THE 6-MONTH EXPENDITURE EXCEPTION A-D PART III, LINE 7 AS PROVIDED IN TREASURY REGULATION SECTION 1 141-4(C)(2)(I)(B), THE AMOUNT OF PRIVATE PAYMENTS TAKEN INTO ACCOUNT UNDER THE PRIVATE PAYMENT TEST MAY NOT EXCEED THE AMOUNT OF PRIVATE BUSINESS USE AND/OR UNRELATED TRADE OR BUSINESS USE ACCORDINGLY, THE AMOUNT OF PRIVATE PAYMENTS FOR THE REPORTING PERIOD DOES NOT EXCEED THE AMOUNT STATED IN PART III, LINE 6 THE ORGANIZATION HAS NOT UNDERTAKEN AN ANALYSIS OF THE PRIVATE SECURITY TEST WITH RESPECT TO THE BONDS, AS THE LEVEL OF PRIVATE BUSINESS USE AND/OR UNRELATED TRADE OR BUSINESS REPORTED IN PART III, LINE 6, IS NOT IN EXCESS OF AMOUNTS PERMITTED UNDER SECTION 145 OF THE CODE

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (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
SALEM HOSPITAL

Employer identification number
93-0579722

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) THYE SCHUYLAR MD	HIGHLY COMPENSATED EMPLOYEE	PHYSICIAN RECRUITMENT/RELOCATION		X	60,000	5,218		No	Yes		Yes	
Total ▶ $						5,218						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

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

Part V Supplemental Information

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

Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

Employer identification number
93-0579722

990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE GOVERNANCE COMMITTEE OF THE BOARD OF TRUSTEES REVIEWS THE 990 IT IS THEN FORWARDED TO THE ENTIRE BOARD OF TRUSTEES
FORM 990, PART VI, SECTION B, LINE 12C	ON AN ANNUAL BASIS THE SECRETARY OF THE HOSPITAL SHALL SEND TO EACH PERSON WHO IS A TRUSTE E, OFFICER, OR MEMBER OF A COMMITTEE, AND TO THOSE EMPLOYEES OF THE HOSPITAL AS THE BOARD MAY DETERMINE, A COPY OF THE POLICY REGARDING CONFLICTS OF INTEREST, TOGETHER WITH A QUEST IONNAIRE INQUIRING AS TO CONFLICTS, TO BE COMPLETED A AND RETURNED TO THE SECRETARY BY THE TRUSTEE, OFFICER, COMMITTEE MEMBER OR EMPLOYEE PRIOR TO THE BEGINNING OF EACH CALENDAR YE AR
FORM 990, PART VI, SECTION B, LINE 15	EXECUTIVE COMPENSATION AT SALEM HOSPITAL IS DESIGNED TO ALLOW THE ORGANIZATION TO RECRUIT AND RETAIN QUALIFIED SENIOR LEADERS THE GOVERNANCE COMMITTEE OF THE SALEM HOSPITAL BOARD OF TRUSTEES, NONE OF WHOM IS A SALEM HOSPITAL EMPLOYEE, ENGAGES ONE OR MORE INDEPENDENT CO NSULTANTS TO PROVIDE A MARKET DATA ON EXECUTIVE COMPENSATION, INCLUDING BENEFITS, FOR THE CEO AND OTHER EXECUTIVES IN SIMILAR ROLES AT COMPARABLE ORGANIZATIONS THIS INFORMATION IS USED BY THE GOVERNANCE COMMITTEE IN ITS DISCUSSIONS AND DECISIONS ON CEO COMPENSATION TH E CEO, IN CONJUNCTION WITH OTHER SALARY SURVEY OR PUBLIC INFORMATION AND THE INDEPENDENT C ONSULTANT, ENSURES THAT EACH EXECUTIVE'S COMPENSATION IS COMPETITIVE IN THE MARKET FOR SIM ILAR POSITIONS AT COMPARABLE ORGANIZATIONS
FORM 990, PART VI, SECTION C, LINE 19	THE CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS ARE AVAILABLE ON THE HOSPITAL WEBSITE
FORM 990, PART XI, LINE 9	CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AGREEMENT -1,015,407 CHANGE IN NET BENEFIT COS T -567,367 CHANGE IN BENEFICIAL INTEREST IN FOUNDATION 486,864

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
SALEM HOSPITAL

Employer identification number
93-0579722

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
(1) MWVP INC 570 LIBERTY ST SE STE 200 SALEM, OR 97301 12-3456789	HOLDS LAND	OR			SALEM HEALTH

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
(1) SALEM HOSPITAL FOUNDATION 890 OAK STREET SE SALEM, OR 97301 23-7002687	SUPPORTS SALEM HOSPITAL	OR	501(C)(3)	7	SALEM HEALTH		No
(2) SALEM HOSPITAL AUXILIARY 890 OAK STREET SE SALEM, OR 97301 93-1081113	SUPPORTS SALEM HOSPITAL	OR	501(C)(3)	9	N/A		No
(3) SALEM HEALTH 890 OAK STREET SE SALEM, OR 97301 93-0823471	LEASES LAND TO SALEM HOSPITAL	OR	501(C)(3)	11 TYPE 1	N/A		No
(4) WEST VALLEY HOSPITAL 525 SOUTHEAST WASHINGTON STREET DALLAS, OR 97338 43-1960221	HOSPITAL	OR	501(C)(3)	3	SALEM HEALTH		No
(5) WEST VALLEY HOSPITAL FOUNDATION 525 SOUTHEAST WASHINGTON STREET DALLAS, OR 97338 93-1298564	SUPPORTS WEST VALLEY HOSPITAL	OR	501(C)(3)	11 TYPE 1	SALEM HEALTH		No
(6) WILLAMETTE VALLEY INSURANCE COMPANY 745 FORT STREET HONOLULU, HI 96813 20-1836190	CAPTIVE INSURANCE	HI	501(C)(3)	11 TYPE 1	SALEM HEALTH		No
(7) WILLAMETTE VALLEY PROFESSIONAL SERVICES 890 OAK STREET SE SALEM, OR 97301 75-3175249	BILLING SERVICE FOR PROFESSIONAL FEES	OR	501(C)(3)	3	SALEM HEALTH		No

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) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
(1) OREGON COMMUNITY IMAGING LLC 2925 RYAN DR SE SALEM, OR 97301 20-2683062	MEDICAL IMAGING COOPERATIVE	OR	N/A									

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	(i) No

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	Yes	
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	Yes	
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		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
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		No
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	Yes	
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r	Yes	
s Other transfer of cash or property from related organization(s)	1s	Yes	

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

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:
Software Version:
EIN: 93-0579722
Name: SALEM HOSPITAL

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) SALEM HOSPITAL FOUNDATION 890 OAK STREET SE SALEM, OR 97301 23-7002687	SUPPORTS SALEM HOSPITAL	OR	501(C)(3)	7	SALEM HEALTH		No
(1) SALEM HOSPITAL AUXILIARY 890 OAK STREET SE SALEM, OR 97301 93-1081113	SUPPORTS SALEM HOSPITAL	OR	501(C)(3)	9	N/A		No
(2) SALEM HEALTH 890 OAK STREET SE SALEM, OR 97301 93-0823471	LEASES LAND TO SALEM HOSPITAL	OR	501(C)(3)	11 TYPE 1	N/A		No
(3) WEST VALLEY HOSPITAL 525 SOUTHEAST WASHINGTON STREET DALLAS, OR 97338 43-1960221	HOSPITAL	OR	501(C)(3)	3	SALEM HEALTH		No
(4) WEST VALLEY HOSPITAL FOUNDATION 525 SOUTHEAST WASHINGTON STREET DALLAS, OR 97338 93-1298564	SUPPORTS WEST VALLEY HOSPITAL	OR	501(C)(3)	11 TYPE 1	SALEM HEALTH		No
(5) WILLAMETTE VALLEY INSURANCE COMPANY 745 FORT STREET HONOLULU, HI 96813 20-1836190	CAPTIVE INSURANCE	HI	501(C)(3)	11 TYPE 1	SALEM HEALTH		No
(6) WILLAMETTE VALLEY PROFESSIONAL SERVICES 890 OAK STREET SE SALEM, OR 97301 75-3175249	BILLING SERVICE FOR PROFESSIONAL FEES	OR	501(C)(3)	3	SALEM HEALTH		No

SALEM HEALTH

Consolidated Financial Statements
and Additional Information

September 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

SALEM HEALTH

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

Independent Auditors' Report

The Board of Trustees
Salem Health:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Salem Health and its subsidiaries (Oregon nonprofit corporations) (collectively, the Corporation), which comprise the consolidated balance sheets as of September 30, 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.

SALEM HEALTH

Consolidated Balance Sheets

September 30, 2014 and 2013

(In thousands)

Assets		2014	2013
Current assets:			
Cash and cash equivalents	$	4,376	4,431
Patient accounts receivable, less allowance for doubtful accounts of $17,472 in 2014 and $28,196 in 2013		73,099	74,866
Other receivables		17,396	10,751
Supplies inventory		6,607	6,289
Prepaid expenses and other		8,160	7,395
Total current assets		109,638	103,732
Assets limited as to use		475,063	429,384
Property and equipment, net		445,426	432,535
Rental and other property held for future development, net of accumulated depreciation of $3,483 in 2014 and $3,147 in 2013		14,516	14,852
Other noncurrent assets		6,501	4,723
Total assets	$	1,051,144	985,226
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	38,590	29,347
Construction accounts payable		3,812	4,450
Accrued liabilities:			
Payroll, payroll taxes, and withholdings		8,846	7,073
Paid time off		15,185	14,137
Other		7,208	7,206
Estimated third-party payor settlements, net		3,280	6,411
Current portion of long-term debt		10,054	3,984
Current portion of estimated medical malpractice claims liability		2,815	2,333
Total current liabilities		89,790	74,941
Long-term debt, net of current portion		296,895	306,949
Accrued postretirement healthcare benefits		7,402	7,110
Fair value of interest rate swap agreement		12,821	11,806
Other long-term liabilities		23	45
Estimated medical malpractice claims liability, net of current portion		8,422	8,010
Total liabilities		415,353	408,861
Net assets:			
Unrestricted		630,100	571,114
Temporarily restricted		3,416	2,977
Permanently restricted		2,275	2,274
Total net assets		635,791	576,365
Total liabilities and net assets	$	1,051,144	985,226

See accompanying notes to consolidated financial statements.

SALEM HEALTH

Consolidated Statements of Operations

Years ended September 30, 2014 and 2013

(In thousands)

	2014	2013
Operating revenue:		
Patient service revenue, net of contractual allowances and discounts	$ 633,302	594,335
Provision for bad debts	(26,416)	(42,053)
Net patient service revenue, less provision for bad debts	606,886	552,282
Other revenue	22,004	20,636
Net assets released from restriction used for operations	324	451
Total operating revenue	629,214	573,369
Operating expenses:		
Labor and benefits	333,214	304,633
Medical and other supplies	99,468	93,134
Purchased services and other	84,408	74,248
Depreciation	37,630	37,984
Professional fees	29,591	25,756
Interest and amortization	13,018	12,538
Insurance	5,464	1,586
Total operating expenses	602,793	549,879
Excess of revenue over expenses from operations	26,421	23,490
Other income:		
Investment income, net	33,134	38,153
Other, net	(289)	(350)
Total other income, net	32,845	37,803
Excess of revenue over expenses	59,266	61,293
Change in net unrealized gain or loss on other-than-trading securities	1,212	(9,297)
Change in fair value of interest rate swap agreement	(1,015)	7,263
Change in postretirement benefit obligation	(708)	1,490
Contribution for property and equipment	—	1
Net assets released from restriction used for property and equipment	231	520
Change in unrestricted net assets	$ 58,986	61,270

See accompanying notes to consolidated financial statements.

SALEM HEALTH

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2014 and 2013

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at September 30, 2012	$ 509,844	3,065	2,269	515,178
Excess of revenue over expenses	61,293	—	—	61,293
Change in net unrealized loss on other-than-trading securities	(9,297)	(81)	—	(9,378)
Change in fair value of interest rate swap agreement	7,263	—	—	7,263
Change in postretirement benefit obligation	1,490	—	—	1,490
Contributions for property and equipment	1	—	—	1
Net assets released from restriction used for property and equipment	520	(520)	—	—
Restricted contributions	—	361	5	366
Temporarily restricted investment and other income, net	—	603	—	603
Net assets released from restrictions for operations	—	(451)	—	(451)
Change in net assets	61,270	(88)	5	61,187
Net assets at September 30, 2013	571,114	2,977	2,274	576,365
Excess of revenue over expenses	59,266	—	—	59,266
Change in net unrealized gain on other-than-trading securities	1,212	(21)	—	1,191
Change in fair value of interest rate swap agreement	(1,015)	—	—	(1,015)
Change in postretirement benefit obligation	(708)	—	—	(708)
Net assets released from restriction used for property and equipment	231	(231)	—	—
Restricted contributions	—	745	1	746
Temporarily restricted investment and other income, net	—	270	—	270
Net assets released from restrictions for operations	—	(324)	—	(324)
Change in net assets	58,986	439	1	59,426
Net assets at September 30, 2014	$ 630,100	3,416	2,275	635,791

See accompanying notes to consolidated financial statements

SALEM HEALTH

Consolidated Statements of Cash Flows

Years ended September 30, 2014 and 2013

(In thousands)

		2014	2013
Cash flows from operating activities			
Change in net assets	$	59,426	61,187
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation and amortization		38,159	38,450
Change in net unrealized (gains) losses on non fair value option investments		(1,191)	9,378
Change in net unrealized (gains) on fair value option investments and realized gains on sales of investments		(24,247)	(28,440)
Change in fair value of interest rate swap agreement		1,015	(7,263)
Restricted contributions for property and equipment		(14)	(77)
Unrestricted contributions for capital acquisition		—	(1)
Permanently restricted contributions		(1)	(5)
Loss (gain) on disposal of property and equipment		7	(53)
Changes in operating assets and liabilities			
Patient accounts receivable		1,767	(75)
Other receivables		(6,645)	2,003
Supplies inventory		(318)	(469)
Prepaid expenses		(765)	(2,257)
Other noncurrent assets		(2,173)	(82)
Accounts payable		9,243	5,285
Accrued liabilities		2,823	4,015
Estimated third-party payor settlements, net		(3,131)	370
Accrued postretirement healthcare benefits		292	(1,886)
Other long-term liabilities		(22)	(29)
Estimated medical malpractice claims liability		894	(1,090)
Net cash provided by operating activities		75,119	78,961
Cash flows from investing activities			
Purchases of investments		(34,362)	(108,557)
Proceeds from sales of investments		14,121	46,416
Purchases of property and equipment and rental and other property		(51,166)	(32,237)
Proceeds from sales of property and equipment and rental and other property		—	232
Net cash used in investing activities		(71,407)	(94,146)
Cash flows from financing activities			
Proceeds from issuance of tax-exempt bonds		—	70,000
Repayment of tax-exempt bonds		(3,280)	(58,205)
Repayment of other long-term debt		(502)	(646)
Debt issuance costs paid		—	(317)
Restricted contributions for property and equipment		14	77
Permanently restricted contributions		1	5
Net cash (used in) provided by financing activities		(3,767)	10,914
Net decrease in cash and cash equivalents		(55)	(4,271)
Cash and cash equivalents at beginning of year		4,431	8,702
Cash and cash equivalents at end of year	$	4,376	4,431
Supplemental disclosure of cash flow information			
Cash paid for interest	$	12,830	12,336

See accompanying notes to consolidated financial statements

(1) Organization and Principles of Consolidation

Salem Health and subsidiaries (collectively, the Corporation) is an Oregon nonprofit corporation providing a comprehensive system of healthcare services to the communities of Salem and Dallas, Oregon, and the surrounding Marion and Polk Counties.

The accompanying consolidated financial statements include the accounts and transactions of the Corporation and its subsidiaries, of which the Corporation is the parent holding company and sole member. The subsidiaries are Oregon nonprofit corporations and consist of Salem Hospital (Salem) and West Valley Hospital (West Valley) (collectively, the Hospitals); Salem Hospital Foundation (SHF) and West Valley Hospital Foundation (WVHF) (collectively, the Foundations); Willamette Valley Insurance Corporation (WVIC), a captive insurance company formed in November 2004 domiciled in Hawaii; and Willamette Valley Professional Services (WVPS), whose principal purpose is to provide professional billing services to the Hospitals, which are included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. The Corporation has formed an Obligated Group which is responsible for paying hospital revenue bond debt. Currently Salem Hospital is the only member of the Obligated Group.

The Hospitals provide healthcare and healthcare-related services to patients in their service areas. The Hospitals' mission is to improve the health and well-being of the people and the communities they serve. The Foundations are dedicated to raising, managing, and distributing funds to help the Hospitals achieve their mission.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include uncollectible and contractual reserves on patient accounts receivable, valuation of investments, assignment of useful lives to property and equipment, third-party payor cost report settlements, self-insured liabilities, interest rate swap valuation, and postretirement liabilities.

(b) Cash and Cash Equivalents

Cash equivalents include investments in highly liquid instruments with original maturities of three months or less, excluding assets limited as to use. Cash equivalents totaled $336 and $948 at September 30, 2014 and 2013, respectively.

The Corporation maintains bank accounts at several financial institutions. The Corporation's bank balances at each financial institution are insured by the Federal Deposit Insurance Corporation

(Continued)

(In thousands)

(FDIC) up to $250. At September 30, 2014 and 2013, the Corporation's bank balances at certain financial institutions exceeded FDIC coverage.

(c) Patient Accounts Receivable and Allowance for Doubtful Accounts

Patient accounts receivable are recorded at an estimated contractual arrangement and do not bear interest. Amounts collected on patient accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The primary risk of noncollection of patient accounts receivable relates to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (generally, deductibles and copayments) remain outstanding.

The allowances for doubtful accounts are primarily estimated based upon the Hospitals' historical collection experience, the age of the patient's account, the patient's economic ability to pay, and the effectiveness of collection efforts. Patient accounts receivable balances are routinely reviewed in conjunction with historical collection rates and other economic conditions that might ultimately affect the collectibility of patient accounts when considering the adequacy of the amounts recorded in the allowance for doubtful accounts. Actual write-offs historically have approximated management's expectations.

The mix of gross receivables from significant third-party payors as of September 30, 2014 and 2013 was as follows:

	2014	2013
Medicare	40%	37%
Medicaid	19	16
Private pay	6	11
Commercial and other payors	35	36

The mix of gross patient service revenue from significant third-party payors as of September 30, 2014 and 2013 was as follows:

	2014	2013
Medicare	48%	48%
Medicaid	19	14
Private pay	3	6
Commercial and other payors	30	32

Significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental healthcare coverage could affect the Hospitals' collection of accounts receivable, cash flows, and results of operations. The Hospitals' patient responsibility write-offs were $37,139 and $38,824 in fiscal 2014 and 2013, respectively. As a result of the actual write-offs and estimated uncollectible amounts, total bad debt expense, which is a reduction in net patient

service revenue, for the years ended September 30, 2014 and 2013 was $26,416 and $42,053, respectively. The Hospital also maintains an allowance for doubtful accounts for third-party payors, which has been determined based on historical bad debt expense on those account types.

(d) Supplies Inventory

Supplies inventory is stated at the lower of cost (as determined by the first-in, first-out method) or market.

(e) Assets Limited as to Use

Assets limited as to use consist of investments designated by the Corporation's Board of Trustees (the Board) for future capital acquisitions and other purposes, investments held by the Foundations whose use has been restricted by donors, and assets held by a trustee under a bond indenture agreement (notes 4 and 11). Funds held by trustee are set aside in separate trust accounts for future capital projects and debt service reserve funds.

Investments in equity and debt securities are reported at fair value in the accompanying consolidated balance sheets. The fair values are based on quoted market prices at the reporting date for those or similar investments. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on investments for which the Corporation has designated the fair value option, interest, and dividends) is included in the excess of revenue over expenses unless the income or loss is restricted by the donor or law. All of the Corporation's investments are classified as other-than-trading securities at September 30, 2014 and 2013. The Corporation has elected the fair value option under FASB ASC 825-10 *Financial Instruments* for certain of its investment securities as discussed at note 11. Unrestricted unrealized gains and losses on other-than-trading investments for which the fair value option has not been elected are excluded from excess of revenues over expenses unless they are considered other-than-temporarily impaired.

For each of the investment categories for which the fair value option has not been elected, the Corporation continually monitors investment performance and the potential need for recording an impairment on investments. A number of criteria are considered during this process including, but not limited to: whether the Corporation intends to sell the security; the current fair value as compared to cost of the security; the length of time the security's fair value has been below cost; the likelihood that the Corporation will be required to sell the security before recovery of its cost basis; objective information supporting recovery in a reasonable period of time; specific credit issues related to the issuer; and current economic conditions.

For debt securities that the Corporation does not intend to sell and more likely than not would not be required to sell prior to recovery of the cost basis, the Corporation recognizes other-than-temporary losses in accordance with the provisions of the ASC 320 *Investments – Debt and Equity Securities*. The amount of the other-than-temporary loss is separated into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between a security's cost basis and the present value of expected future cash flows discounted at the security's effective interest rate. The amount due to all other factors is

recognized in other changes in net assets. For the fiscal years ended September 30, 2014 and 2013, the Corporation recognized no other-than-temporary losses.

The Corporation holds investments in corporate bonds, fixed income mutual funds, U.S. Treasury and government agency securities, common stocks, and equity mutual funds (note 11). Management believes that the Corporation's credit risk with respect to these investments is minimized due to the diversity of the individual investments and the financial strength of the entities, which have issued the securities or instruments. However, due to changes in economic conditions, interest rates, and common stock prices, the market value of the Corporation's investments can be volatile. Consequently, the fair value of the Corporation's investments could change significantly in the near term as a result of such volatility.

(f) Property and Equipment

Property and equipment (including acquisitions of rental and other property held for future development) are stated at cost. Donated property and equipment are recorded at estimated fair value on the date of donation. Improvements and replacements of property and equipment are capitalized. Routine maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the shorter of the lease term or estimated useful life of each class of depreciable asset. The estimated useful life of buildings and improvements is 5 to 50 years while the estimated useful life of equipment is 2 to 20 years. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(g) Temporarily and Permanently Restricted Net Assets

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

(h) Consolidated Statements of Operations

Excess of revenues over expenses from operations includes amounts generated from direct patient care, other revenue related to the operation of the Hospitals' facilities, unrestricted contributions received by the Foundations, and gains (losses) on disposals of property and equipment. Other activities that result in income or expenses unrelated to the Hospitals' and the Foundations' primary missions are excluded from excess of revenues over expenses from operations. Other income (loss) includes net investment income; change in unrealized gains and losses on investment securities for which the fair value option is elected; any other-than-temporary impairment losses on investment securities; rental income and expenses related to nonoperating real estate properties; gain (loss) on disposals of rental and other property held for future development; loss on extinguishment of debt; and other incidental transactions.

The consolidated statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets that are excluded from the excess of revenue over expenses, consistent with

industry practice, include the change in net unrealized gains (losses) on securities for which the fair value option was not elected; change in net benefit obligation related to postretirement benefits; change in fair value of interest rate swap agreement for an effective hedging relationship; contributions of long-lived assets (including assets acquired using contributions, which, by donor restriction, are to be used for the purpose of acquiring such assets); and discontinued operations.

(i) Net Patient Service Revenue

Services are rendered to patients under contractual arrangements with Medicaid and Medicare programs and various other payors including preferred provider organizations (PPOs) and health maintenance organizations (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 Salem at prospectively determined rates for the majority of inpatient and outpatient services rendered to patients, primarily on the basis of Medicare severity diagnosis-related groups (MS-DRGs) and Ambulatory Payment Classification Groups (APCs), respectively. West Valley is a "critical access hospital" (CAH) for Medicare program purposes. As a CAH, West Valley may not operate more than 25 beds and the average length of stay for acute care patients may not exceed 96 hours. The Medicare and Medicaid program reimburses West Valley on the basis of its current allowable costs. When paid under cost reimbursement, the Hospitals are reimbursed at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the fiscal intermediaries, subjecting the Hospitals to retroactive settlements for prior year cost reports. Actual settlements historically approximated management's expectations.

Salem's cost reports have both been audited and final settled by the Medicare fiscal intermediaries through September 30, 2010 and the Medicaid fiscal intermediaries through September 30, 2006. West Valley's cost reports have both been audited and final settled by the Medicare fiscal intermediaries through September 30, 2010 and the Medicaid fiscal intermediaries through September 30, 2010.

The Hospitals have also entered into payment agreements with certain commercial insurance carriers, HMOs, and PPOs to provide medical services to subscribing participants. The basis for payment to the Hospitals under these agreements includes prospectively determined rates per discharge, actual charges, and fee schedules.

(j) Contributions Received

Unconditional promises to give cash and other assets to the Corporation are recorded as other revenues and other receivables at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or at which point the conditions have been substantially met. Gifts are reported as either temporarily or permanently restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When the terms of a donor restriction are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and consolidated statements of changes in net assets as net assets released from restrictions.

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

SHF is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently estimable. SHF's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

(k) Income Taxes

The Corporation, Salem, West Valley, SHF, WVHF, WVPS, and WVIC are tax-exempt organizations pursuant to Internal Revenue Code (IRC) Section 501(c)(3). As such, only unrelated business income is subject to federal or state income taxes. The Corporation accounts for uncertainty in income taxes in accordance with FASB ASC 740-10, *Income Taxes–Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*. Management has not recorded a provision as unrelated business income, if any, is immaterial to the consolidated financial statements.

Accounting principles generally accepted in the United States of America require the Corporation to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation 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 Corporation and has concluded that as of September 30, 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. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Corporation management believes it is no longer subject to income tax examinations for years prior to fiscal year 2009.

(l) Reclassifications

Certain prior period amounts in the accompanying consolidated financial statements and notes thereto have been reclassified to conform to current period presentation. These reclassifications had no material effect on the results of operations or financial position for any period presented.

(3) Benefits to the Community

The Corporation 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.

(In thousands)

(a) Services for People in Need

The following represents the estimated cost of providing certain services to the community, along with a description of selected activities sponsored by the Hospitals during 2014 and 2013:

	Year ended September 30, 2014		
	Estimated costs to provide care	**Offsetting revenue**	**Estimated net cost**
Services for people in need:			
Charity care	$ 14,048	—	14,048
Medicaid	133,875	98,821	35,054
Medicare	259,577	224,634	34,943
	$ 407,500	323,455	84,045
Percentage of total operating expenses			13.9%

	Year ended September 30, 2013		
	Estimated costs to provide care	**Offsetting revenue**	**Estimated net cost**
Services for people in need:			
Charity care	$ 25,839	—	25,839
Medicaid	94,257	76,304	17,953
Medicare	241,891	209,157	32,734
	$ 361,987	285,461	76,526
Percentage of total operating expenses			13.9%

In support of its mission, the Hospitals voluntarily provide 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 are 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, the Hospitals provide an uninsured discount of 15% to all uninsured patients. Further discounts are available for patients, on a sliding scale, whose household income is less than 400% of the federal poverty level or roughly $94 for a family of four in Salem, 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., assets and investments excluding patient's primary residence), and other catastrophic or economic circumstances are considered in determining eligibility for charity care.

In addition to charity care, the Hospitals provide services under various states' Medicaid programs for financially needy patients and to Medicare beneficiaries. The aggregate cost of providing services to Medicaid and Medicare beneficiaries exceeds the aggregate reimbursements from these programs.

The cost of services provided to beneficiaries of the Medicaid and Medicare programs and cost of charity care is estimated based on the relationship of costs (excluding the provision for doubtful accounts and those costs associated with medical education, research, community health services, and other contributions) to billed charges for Medicaid and Medicare patient accounts and for patient charges written off as charity deductions.

The Hospitals also employ 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. During 2014 and 2013, the Corporation assisted patients many of which received coverage through a third party, reducing the patients' financial responsibility. The costs associated with this program were $300 and $156 in 2014 and 2013, respectively.

(b) Benefits to Community

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 that support organizations' missions of supporting health and human services, civic and community causes, and business development efforts.

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

(c) Other Benefits

In furtherance of its mission, the Corporation 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.

(In thousands)

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

(4) Assets Limited as to Use

Assets limited as to use consisted of the following at September 30, 2014 and 2013:

	2014	2013
Board designated for capital acquisitions and other purposes:		
Cash and short-term fixed income	$ 51,791	36,711
Low duration fixed income	100,093	77,477
Core fixed income mutual funds	113,321	123,341
Domestic equity mutual funds	150,716	124,027
International equity mutual funds	39,890	35,882
Accrued interest receivable	454	501
Total internally designated for capital acquisitions and other purposes	456,265	397,939
Held by the Foundations:		
Cash and cash equivalents	117	79
Core fixed income mutual funds	2,581	2,478
Domestic equity mutual funds	3,998	3,758
International equity mutual funds	421	417
Accrued interest receivable	3	3
Total held by the Foundations	7,120	6,735
Held by trustee:		
Cash and cash equivalents	651	18,905
Low duration fixed income	11,007	5,792
Accrued interest receivable	20	13
Total held by trustee	11,678	24,710
Total assets limited as to use	$ 475,063	429,384

Cash and short-term fixed income investments consist primarily of separately held U.S. Treasury and agency securities, corporate bonds, and money market funds with an average duration of one year or less.

Low duration fixed income investments consist primarily of separately held U.S. Treasury and agency securities, corporate bonds, money market funds, and fixed income focused mutual funds with an investment strategy to hold securities with an average duration of one to three years.

Core fixed income investments consist of fixed income mutual funds with investment strategies of holding securities with an average duration of three to five years.

(Continued)

(In thousands)

Investment income, net, consisted of the following for the years ended September 30, 2014 and 2013:

		2014	2013
Investment income:			
Interest and dividend income	$	9,099	6,249
Realized gains on sales of investments, net		3,961	4,179
Change in net unrealized gains on fair value option investments		20,276	27,928
Investment expenses		(202)	(203)
Investment income, net	$	33,134	38,153
Changes in net assets:			
Change in net unrealized gain (loss) on other-than-trading securities	$	1,191	(9,378)

The following tables summarize the Corporation's investments that are not accounted for under the fair value option and had unrealized losses as of September 30, 2014:

For less than 12 months		Fair value	Cost basis	Gross unrealized loss
Corporate bonds	$	8,195	8,274	79
Fixed income mutual funds		138,941	139,243	302
U.S. Treasury securities		10,505	10,523	18
U.S. government agency securities		10,053	10,111	58
Total	$	167,694	168,151	457

For 12 months or longer		Fair value	Cost basis	Gross unrealized loss
Corporate bonds	$	1,558	1,581	23
U.S. government agency securities		7,686	7,848	162
Total	$	9,244	9,429	185

(Continued)

(In thousands)

Total		Fair value	Cost basis	Gross unrealized loss
Corporate bonds	$	9,753	9,855	102
Fixed income mutual funds		138,941	139,243	302
U.S. Treasury securities		10,505	10,523	18
U.S. government agency securities		17,739	17,959	220
	$	176,938	177,580	642

The following tables summarize the Corporation's investments that are not accounted for under the fair value option and had unrealized losses as of September 30, 2013:

For less than 12 months		Fair value	Cost basis	Gross unrealized loss
Corporate bonds	$	12,626	12,716	90
Fixed income mutual funds		142,507	143,171	664
U.S. Treasury securities		4,442	4,447	5
U.S. government agency securities		10,353	10,613	260
Total	$	169,928	170,947	1,019

For 12 months or longer		Fair value	Cost basis	Gross unrealized loss
Corporate bonds	$	453	472	19
U.S. Treasury securities		6,392	6,535	143
U.S. government agency securities		790	791	1
Total	$	7,635	7,798	163

Total		Fair value	Cost basis	Gross unrealized loss
Corporate bonds	$	13,079	13,188	109
Fixed income mutual funds		142,507	143,171	664
U.S. Treasury securities		10,834	10,982	148
U.S. government agency securities		11,143	11,404	261
	$	177,563	178,745	1,182

The individual securities included in the above tables, which have unrealized losses, have been assessed by management and do not require an adjustment for other-than-temporary impairment because the

(In thousands)

Corporation does not intend to sell and do not believe they would be required to sell the securities prior to maturity or market recovery. Those unrealized losses were primarily driven by changes in interest rates and overall market conditions.

(5) Property and Equipment, Net

Property and equipment consisted of the following at September 30, 2014 and 2013:

		2014	2013
Land and improvements	$	42,925	42,925
Buildings and improvements		511,665	492,837
Equipment		321,214	298,289
		875,804	834,051
Less accumulated depreciation		(450,281)	(414,378)
		425,523	419,673
Construction in progress		19,903	12,862
Property and equipment, net	$	445,426	432,535

(6) Long-Term Debt

Long-term debt consisted of the following at September 30, 2014 and 2013:

		2014	2013
Hospital Revenue Bonds, Series 2006A; payable in installments from $1,780 to $17,040 beginning in 2014 through 2036; interest at rates ranging from 4.50% to 5.00%	$	115,736	117,556
Hospital Revenue Bonds, Series 2008A; payable in installments from $760 to $7,900 beginning in 2015 through 2023; interest rates ranging from 5.25% to 5.75%		46,497	47,324
Hospital Revenue Bonds, Series 2008B; payable in installments from $3,575 to $6,000 beginning in 2019 through 2034; interest at rates resetting every 7 days; the rates were 0.05% and 0.07% as of September 30, 2014 and 2013, respectively		75,000	75,000

(Continued)

(In thousands)

	2014	2013
Hospital Revenue Bonds, Series 2013A; payable in installments from $420 to $2,935 beginning in 2014 through 2036; interest rate is 2.30% through June 1, 2020	$ 34,580	35,000
Hospital Revenue Bonds, Series 2013B; payable in installments from $415 to $2,935 beginning in 2014 through 2036; interest rate is 2.57% through June 1, 2020	34,585	35,000
Other	551	1,053
	306,949	310,933
Less current portion	(10,054)	(3,984)
	$ 296,895	306,949

In November 2006, Salem entered into a Loan Agreement (the 2006 Agreement) with the Authority whereby the Authority issued $120,000 of paramount fixed-rate tax-exempt Revenue Bonds and $38,025 of paramount tax-exempt variable rate Revenue and Refunding Bonds (Salem Hospital Project), Series 2006A (2006A Bonds) and Series 2006B (2006B Bonds) (collectively, the 2006 Bonds), respectively. The proceeds from Series 2006A were used to finance various capital projects at Salem. The proceeds from Series 2006B were used to advance refund $36,175 of remaining Series 1998 Bonds. In April 2008, Salem purchased the 2006B Bonds in lieu of redemption and defeased the entire amount of the bonds. This transaction was financed by a nonrevolving taxable line of credit discussed below. The 2006A Bonds were issued at a premium in the amount of $3,123, of which $1,097 and $962 has been cumulatively amortized and recorded as interest expense in the accompanying consolidated statements of operations for the years ended September 30, 2014 and 2013, respectively. The remaining amount of unamortized premium included in long-term debt was $2,026 and $2,161 as of September 30, 2014 and 2013, respectively.

In October 2008, Salem entered into a Loan Agreement (the October 2008 Agreement) with the Authority, whereby the Authority issued $59,710 of par amount fixed-rate tax-exempt Revenue Bonds, Series 2008A (the 2008A Bonds) with a final maturity of 2023. The proceeds from 2008A Bonds were used in part to refinance a portion of a nonrevolving line of credit that existed at that time, to finance various capital projects at Salem, and the remaining $5,971 was deposited into a debt service reserve fund. The 2008A Bonds were issued at a premium of $778, of which $481 and $414 have been cumulatively amortized and recorded as interest expense in the accompanying consolidated statements of operations for the fiscal years ended September 30, 2014 and 2013, respectively. The remaining unamortized premium included in long-term debt was $297 and $364 as of September 30, 2014 and 2013, respectively. The 2008A Bonds maturing in 2023 are subject to optional redemption on or before 2018; the bonds maturing prior to 2023 are not subject to this optional redemption. The 2008A Bonds are subject to annual mandatory sinking fund redemption prior to maturity, beginning in 2014 ranging from $760 to $7,900, to special sinking fund redemption and to optional and mandatory tender for purchase and remarketing in certain circumstances as described in the October 2008 Agreement.

In November 2008, Salem entered into a Loan Agreement (the November 2008 Agreement) with the Authority, whereby the Authority issued $75,000 of par amount variable-rate tax-exempt Revenue Bonds (the 2008B Bonds) with a final maturity of 2034 and $50,000 of par amount variable-rate tax-exempt Revenue Bonds (the 2008C Bonds) with a final maturity of 2036. The 2008C Bonds were refinanced in 2014. The 2008B Bonds bear interest at rates that change weekly. The combined proceeds from the 2008B and 2008C Bonds were used to fully refund the remaining balance on a nonrevolving line of credit that existed at that time and to finance various capital projects at Salem. The Series 2008B Bonds are subject to purchase from time to time at the option of the owners thereof and are required to be purchased in certain events. In order to assure the availability of funds for the payment of the purchase price, Salem has provided for the purchase of such 2008B Bonds under a direct-pay letter-of-credit agreement (the Letter of Credit). The maximum commitment under this Letter of Credit is $76,048 for the 2008B Bonds. The 2008B Bonds are subject to annual mandatory sinking fund redemptions beginning in 2019 ranging from $3,575 to $6,000. The 2008B Bonds are subject to optional and special redemption prior to maturity at the direction of Salem under certain circumstances as described in the November 2008 Agreement. The 2008B Letter of Credit has an 18-month repayment term and expires in April 2016. A direct-pay letter-of-credit agreement (2008C Letter of Credit) which provided for the purchase of the 2008C Bonds was terminated in 2014 upon refinance of the 2008C Bonds.

In June 2013, Salem entered into a Loan Agreement (the June 2013 Agreement) with the Authority, whereby the Authority privately placed issuances to two banks a total of $70,000 of par amount fixed rate tax exempt Revenue Bonds in the amounts of $35,000 and $35,000 (the 2013A and 2013B Bonds) with final maturities of 2036 and 2036, respectively. The proceeds of the 2013A and 2013B Bonds were used in part to refinance the 2008C Bonds and to finance various capital projects at Salem. The 2013A and 2013B Bonds were issued at par value with stated interest rates of 2.30% and 2.57%, respectively that are fixed under an initial rate period until June 1, 2020. Subsequent to this initial rate period, the bonds are convertible to one of several different fixed or variable interest rate options based on market conditions at that time. The bonds are subject to combined annual mandatory sinking fund redemptions beginning in 2014 ranging from $835 to $5,870.

Additionally, Salem entered into an interest rate management transaction in November 2004 to hedge the 2004B Bonds. In 2008, Salem amended this swap to be a cash flow hedge of the 2008B Variable Rate Bonds. The swap agreement maintains the total notional amount of $75,000 and converts the variable interest rate to a fixed rate of approximately 3.541%. See note 7 for further information related to Salem's interest management transactions.

(In thousands)

Scheduled principal repayments of long-term debt are as follows:

		Revenue bonds	Other	Total
2015	$	9,645	212	9,857
2016		5,415	60	5,475
2017		9,645	64	9,709
2018		10,870	69	10,939
2019		11,270	74	11,344
Thereafter		257,230	72	257,302
	$	304,075	551	304,626

Interest costs, including amortization of bond premium, in the amounts of $13,018 and $12,538 were charged to operations during the years ended September 30, 2014 and 2013, respectively.

(7) Derivative Instruments and Hedging Activities

Salem has an interest-rate-related derivative instrument to manage its exposure on its debt instruments. The Corporation does not enter into derivative instruments for any purpose other than cash flow hedging purposes. The Corporation does not speculate using derivative instruments. The Corporation follows FASB ASC 815-10, *Accounting for Derivative Instruments and Hedging Activities*. ASC 815-10 provides accounting and reporting standards for derivative instruments and hedging activities and requires that Salem recognize these as either assets or liabilities in the consolidated balance sheets and measure them at fair value.

In 2008, Salem entered into an interest rate swap transaction to convert the 2008B variable rate debt into a fixed rate of 3.541% through August 15, 2034. The interest rate swap has a notional amount of $75,000. Salem evaluated the interest rate swap transaction and determined that it met the criteria to be classified as a cash flow hedge and the changes in fair value have been recorded as a change in unrestricted net assets in the accompanying consolidated financial statements.

The interest rate swap transaction allows Salem to terminate the financial instrument by requiring full settlement of any interest or termination value, upon five days' written notice given to Salem's bond insurer and counterparty. The fair value of the interest rate swap agreement is determined by or based on the spread in interest rates with consideration of credit risk to both Salem and its counterparty. The estimated fair value of the interest rate swap at September 30, 2014 and 2013 was a liability of $12,821 and $11,806, respectively. Salem was not required to postcollateral against the liability of its interest rate swap during the year ended September 30, 2014 or 2013 and has not been required to post any collateral to date for the life of the swap.

(In thousands)

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes at September 30, 2014 and 2013:

	2014	2013
Acquisition or construction of property and equipment for the Hospitals	$ 434	57
Specific programs of the Hospitals	2,143	2,057
Scholarships	557	578
Other	282	285
	$ 3,416	2,977

(9) Retirement and Postretirement Plans

(a) Defined Contribution Retirement Plan

The Hospitals have a contributory, defined contribution retirement plan (the Retirement Plan) covering substantially all full-time employees. All eligible employees are allowed to contribute to the Retirement Plan on the first day of the month following their date of hire. The Hospitals contribute 5.5% to 8.5% of participating employees' annual compensation to the Retirement Plan. To receive the benefit of the Hospitals' contributions, employees must have one year or more of service at one of the Hospitals and contribute at least 1.0% of their annual compensation to the Retirement Plan. Retirement Plan costs were $13,203 and $12,729 for the years ended September 30, 2014 and 2013, respectively, and are included in labor and benefits in the accompanying consolidated statements of operations.

(b) Postretirement Healthcare Plan

The Hospitals also sponsor a postretirement healthcare plan (the Postretirement Plan) that provides healthcare benefits to certain retirees and their dependents until the retirees reach the age of Medicare eligibility. Generally, retirees are eligible to participate in the Postretirement Plan if they retire from one of the Hospitals at age 55 years or older with 10 years of service. Retirees can convert 25% of their unused extended illness bank (EIB) balance to an equivalent dollar amount, which may then be used to purchase medical, dental, or vision coverage for the retiree and/or dependents. Any unused balance will be forfeited when the retiree reaches the age of Medicare eligibility.

The Corporation accounts for the Postretirement Plan in accordance with FASB AS 715, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires the employer to recognize the overfunded or underfunded status of a plan as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. Under ASC 715 *Compensation – Retirement Benefits*, the measurement of the funded status is the difference between the fair value of the plan assets compared

(In thousands)

to the benefit obligation of the plan. ASC 715 also required the Corporation to recognize in unrestricted net assets any unrecognized net actuarial gains or losses and any unrecognized prior service costs or credits as they arise and disclose in the notes to the consolidated financial statements additional information about the effect on net periodic benefit cost on the next fiscal year that arises from the delayed recognition of these items. The Corporation's measurement date for plan assets and benefit obligation is September 30.

The accrued liability for postretirement benefits at September 30, 2014 and 2013 was as follows:

		2014	2013
Change in benefit obligation:			
Benefit obligation at beginning of year	$	7,594	9,495
Service cost		314	411
Interest cost		257	216
Participants' contributions		670	672
Actuarial loss/(gain)		169	(2,018)
Benefits paid		(1,154)	(1,182)
Benefit obligation at end of year	$	7,850	7,594
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
The Hospitals' contributions		484	510
Participants' contributions		670	672
Benefits paid		(1,154)	(1,182)
Fair value of plan assets at end of year	$	—	—

A reconciliation of the Postretirement Plan's funded status at September 30, 2014 and 2013 to the Hospitals' accrued postretirement healthcare benefits at September 30, 2014 and 2013 was as follows:

		2014	2013
Funded status at September 30, 2014 and 2013	$	(7,850)	(7,594)
Current portion of accrued postretirement healthcare benefits		448	484
Long-term portion of accrued postretirement healthcare benefits at September 30	$	(7,402)	(7,110)

The current portion of accrued postretirement healthcare benefits is included in accrued liabilities in the accompanying consolidated balance sheets.

(Continued)

(In thousands)

The components of the Hospitals' net periodic postretirement benefit cost included in labor and benefits in the accompanying consolidated statements of operations for the years ended September 30, 2014 and 2013 were as follows:

		2014	2013
Service cost	$	314	411
Interest cost		257	216
Amortization of prior service credit		(539)	(618)
Amortization of net gain		—	90
Net periodic postretirement benefit cost	$	32	99

Gains accumulated in unrestricted net assets in the accompanying consolidated statements of changes of net assets through the years ended September 30, 2014 and 2013 were $925 and $1,633, respectively. The components of the Hospitals' other changes in plan assets and benefit obligations recognized in unrestricted net assets in the accompanying consolidated statements of changes of net assets for the years ended September 30, 2014 and 2013 were as follows:

		2014	2013
Net loss (gain)	$	169	(2,108)
Amortization of prior service cost		539	618
Total recognized in unrestricted net assets	$	708	(1,490)

Weighted average assumptions used to determine benefit obligations for 2014 and 2013 were as follows:

	2014	2013
Discount rate	3.00%	3.50%
Rate of compensation increase	3.75	3.75

For actuarial measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2015 through 2018. Thereafter, the rate was assumed to decrease by approximately 0.5% percentage point on an annual basis to 6.0% in 2022 and then decrease gradually to 4.2%.

(Continued)

(In thousands)

Assumed healthcare cost trend rates have a significant effect on the amounts reported for postretirement healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects for the years ended September 30, 2014 and 2013:

	2014	2013
One-percentage-point increase:		
Increase in total of service and interest cost components	$ 47	57
Increase in postretirement benefit obligation	487	480
One-percentage-point decrease:		
Decrease in total of service and interest cost components	$ (43)	(52)
Decrease in postretirement benefit obligation	(454)	(445)

Benefit payments funded by Salem Health, which reflect future service, as appropriate, are expected to be paid as follows for the years ending September 30:

2015	$ 448
2016	487
2017	577
2018	658
2019	726
2020–2023	4,152

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

(10) Functional Classification of Expenses

Expenses on a functional basis for the years ended September 30, 2014 and 2013 were as follows:

	2014	2013
Healthcare services	$ 533,420	492,879
General and administrative	69,373	57,000
	$ 602,793	549,879

(Continued)

(11) Fair Value Measurements and the Fair Value Option

(a) Fair Value of Financial Instruments

The carrying amounts for each class of financial instrument noted below are included in the consolidated balance sheets under the indicated captions.

The fair values of the financial instruments as discussed below as of September 30, 2014 and 2013 represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at the measurement date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Corporation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Corporation based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents; patient accounts receivable; estimated third-party payor settlements; other receivables; accounts payable; construction accounts payable; and accrued liabilities: The carrying value of these financial instruments is equal to the carrying amounts, at face value or cost plus accrued interest, and approximates fair value because of the short maturity of these instruments.

Assets limited as to use: All equity securities are classified as available-for-sale and measured using quoted market prices at the reporting date multiplied by the quantity held. Debt securities classified as available-for-sale are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If quoted market prices for those debt securities are not available, the fair value is determined using matrix pricing, which is based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.

Interest rate swap agreement: The carrying value of the interest rate swap agreement is equal to the estimated fair value of the agreement. The fair value of interest rate swap is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and Salem.

Long-term debt: The carrying amount and fair value of long-term debt were $306,949 and $314,194, respectively, as of September 30, 2014, and $310,933 and $315,558, respectively, as of September 30, 2013. The fair value of the Corporation's long-term debt is measured using quoted offered-side prices when quoted market prices are available. If quoted market prices are not available, the estimated fair value is determined by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates and the Corporation's credit standing. In determining an appropriate spread to reflect its credit standing, the Corporation considers credit default swap spreads, bond yields of other long-term debt offered by the

(In thousands)

Corporation, and interest rates currently offered to the Corporation for similar debt instruments of comparable maturities by the Corporation's bankers as well as other banks that regularly compete to provide financing to the Corporation.

(b) Fair Value Hierarchy

FASB ASC 820-10 *Fair Value Measurements* 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) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

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

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. There were no reclassification of securities between Level 1 and Level 2 during the fiscal years ended September 30, 2014 and 2013.

The following table presents assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at September 30, 2014:

		Fair value measurements at reporting date using		
	September 30, 2014	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets				
Corporate bonds	$ 24,299	—	24,299	—
Fixed income mutual funds	192,857	192,857	—	—
U S Treasury securities	14,309	—	14,309	—
Equity mutual funds	195,024	195,024	—	—
U S government agency securities	21,462	—	21,462	—
Total	$ 447,951	387,881	60,070	—

(Continued)

(In thousands)

		Fair value measurements at reporting date using		
	September 30, 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities				
Interest rate swap	$ 12,821	—	12,821	—
Total	$ 12,821	—	12,821	—

The following table presents assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at September 30, 2013:

		Fair value measurements at reporting date using		
	September 30, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Corporate bonds	$ 19,723	—	19,723	—
Fixed income mutual funds	176,305	176,305	—	—
U S Treasury securities	15,608	—	15,608	—
Equity mutual funds	164,085	164,085	—	—
U S government agency securities	14,348	—	14,348	—
Total	$ 390,069	340,390	49,679	—
Liabilities				
Interest rate swap	$ 11,806	—	11,806	—
Total	$ 11,806	—	11,806	—

(Continued)

(12) Commitments and Contingencies

(a) General and Professional Liability Insurance

On a claims-made basis, WVIC provides excess insurance coverage up to a $1,000 self-insured retention limit per occurrence and $6,000 annual aggregate limit for healthcare professional liability (the $1,000/$6,000 limits) for Salem effective November 1, 2004. WVIC provided insurance coverage for West Valley between May 1, 2005 and September 30, 2007 and for the fiscal years ended September 30, 2013 and 2014. In excess of the $1,000/$6,000 limits, the Hospitals annually purchase reinsurance coverage for claims up to $34,000 in aggregate on a claims-made basis. Reinsurance contracts do not relieve the Corporation from its obligations to claimants. Failure of reinsurers to honor their obligations could result in losses to the Corporation. The Corporation evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurer to manage its exposure to significant losses from reinsurer insolvencies.

General and professional liability costs are accrued based upon an actuarial determination with estimated future medical malpractice losses recorded at the expected, undiscounted level. The Corporation has recorded estimated liabilities for incurred but not reported medical malpractice claims and for deductibles on reported claims aggregating $11,237 and $10,343 as of September 30, 2014 and 2013, respectively. The estimated liabilities for incurred but not reported medical claims are recorded on the Hospitals' books. WVIC carries the estimated liabilities for deductibles on reported claims. Management believes that these estimated liabilities are adequate; however, the establishment of estimated liabilities for incurred but not reported medical malpractice claims and for deductibles on reported claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact operations in future periods.

The Corporation adheres to FASB ASU No. 2010-24, *Health Care Entities* (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*. ASU No. 2010-24 requires claim liabilities to be reported without consideration of insurance recoveries and receivables for insurance recoveries to be reported separately subject to a valuation allowance as appropriate. In accordance with ASU No. 2010-24, the Corporation recorded an asset for insurance recoveries receivable and estimated liabilities, which are not net of any estimated recoveries in amount, of $5,500 and $0, as of September 30, 2014 and 2013, respectively. The insurance recovery receivable and insured claims liability are included in other receivables and accounts payable in the accompanying consolidated balance sheets. No valuation allowance was recorded related to reinsurance receivables as of September 30, 2014 or 2013.

(b) Self-Insured Employee Benefits

The Corporation is self-insured for employee medical and dental claims. Claims are accrued as the incidents become known. The Corporation has recorded an accrual for the estimated claims including estimates of the ultimate costs for both reported claims and claims incurred but not reported of $2,630 and $2,707 as of September 30, 2014 and 2013, respectively. Management

(Continued)

believes that these amounts, which have been included within other accrued liabilities in the accompanying consolidated balance sheets, are adequate to cover estimated employee medical and dental claims.

(c) Risk Management

In the ordinary course of business, the Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Management believes that adequate commercial insurance coverage has been purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for the years ended September 30, 2014 and 2013. The Corporation is self-insured for workers' compensation claims for the fiscal year ending September 30, 2009 and September 30, 2010, respectively. The Corporation has recorded estimated liabilities for claims in the amount of $1,621 and $1,797 as of September 30, 2014 and 2013, respectively.

(d) Regulation and Litigation

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 and have become more complicated in recent years due to changes resulting from the Health Reform Law and the introduction of health benefit exchanges and coordinated care organizations into the local marketplace. Certain governmental agencies routinely investigate and pursue allegations concerning possible overpayments resulting from violation of fraud and abuse statutes by healthcare providers. These types of investigations may result in settlements involving fines and penalties as well as repayment of improper reimbursement. The Corporation has implemented procedures for monitoring and enforcing compliance with laws and regulations and is not aware of significant instances of noncompliance.

(e) Operating Leases

The Corporation has certain noncancelable operating leases for office space and equipment. The Corporation recorded lease expense of $2,156 and $2,043, which is included in purchased services and other in the consolidated statements of operations for the years ended September 30, 2014 and 2013, respectively.

(In thousands)

The following is a schedule of future minimum payments required under the Corporation's operating leases at September 30, 2014:

2015	$ 600
2016	248
2017	239
2018	147
2019	127
Thereafter	117
	$ 1,478

(13) Related-Party Disclosures

The following is a summary of the Corporation's related-party investments which are included in other noncurrent assets in the accompanying consolidated balance sheets at September 30, 2014 and 2013:

Entity	Basis of accounting	Ownership percentage	Investment balance included in the accompanying consolidated balance sheets as of September 30		The Corporation's share of income included in the accompanying consolidated statements of operations for the years ended September 30	
			2014	2013	2014	2013
PPP	Cost method	0.25%	$ 1,385	413	905	1,231
WVCH	Cost method	18.20%	545	545	—	—
PHA	Cost method	14.30%	666	—	—	—

(a) Premier Purchasing Partners, L.P. (PPP)

PPP is a California limited partnership formed to allow its partners to obtain discounts by pooling certain purchases. In January 2004, Salem purchased 9,518 shares of PPP for $75. Salem's investment in PPP is accounted for under the cost method of accounting and receives periodic distributions of its share of PPP's profits.

(b) Willamette Valley Community Health (WVCH)

In June 2012, the Corporation, on behalf of the Hospitals, cofounded WVCH with nine other providers of healthcare in Marion and Polk Counties. WVCH is an Oregon limited liability company and is certified by the Oregon Health Authority as a coordinated care organization (CCO). In 2011, the Oregon Legislature enacted House Bill 3650, which established the initial framework for the creation of CCOs with the State of Oregon. Section 26 of H.B. 3650 provides that CCOs will be responsible for providing fully integrated physical health services, chemical dependency, mental health services, and beginning dental health services. CCOs will initially provide the foregoing health services to Medicaid beneficiaries. The Corporation's investment in WVCH is accounted for under the cost method of accounting.

(c) Population Health Alliance of Oregon, LLC (PHA)

In August 2014, the Corporation cofounded PHA with eight other organizations. PHA was established with the intent to be a third-party provider of services to effectively manage the population health risks of its members. The Corporation's investment in WVCH is accounted for under the cost method of accounting.

(14) Subsequent Events

The Corporation evaluated subsequent events after the consolidated balance sheet date of September 30, 2014 through January 16, 2015, which was the date the consolidated financial statements were issued.