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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 01-01-2012 , 2012, and ending 12-31-2012

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

C Name of organization
Davis Memorial Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
PO Box 1484

City or town, state or country, and ZIP + 4
Elkins, WV 26241

D Employer identification number
55-0375433

E Telephone number
(304) 636-3300

G Gross receipts $ 87,494,713

F Name and address of principal officer
E Mark Doak
PO Box 1484
Elkins, WV 26241

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www davishealthsystem org

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

L Year of formation 1903

M State of legal domicile WV

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide quality health care to residents of Elkins, West Virginia and surrounding communities

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**	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	13
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	819
6	Total number of volunteers (estimate if necessary)	**6**	94
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	133,345
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	59,824

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	52,389	48,410
9	Program service revenue (Part VIII, line 2g)	80,470,242	84,706,419
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	646,751	556,200
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,066,597	2,167,166
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	83,235,979	87,478,195
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	78,869	55,979
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)	40,134,233	41,410,398
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)	39,922,652	43,901,924
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	80,135,754	85,368,301
19	Revenue less expenses Subtract line 18 from line 12	3,100,225	2,109,894

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	72,031,083	73,499,011
21	Total liabilities (Part X, line 26)	29,753,809	32,318,423
22	Net assets or fund balances Subtract line 21 from line 20	42,277,274	41,180,588

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

****** | 2013-11-15
Signature of officer | Date

E Mark Doak President/CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Harry C Harless				P01042847

Firm's name ▶ Arnett Foster Toothman PLLC | Firm's EIN ▶ 55-0486667

Firm's address ▶ P O Box 2629
Charleston, WV 25329 | Phone no (304) 346-0441

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 to any question in this Part III . . . . . ☐

1 Briefly describe the organization's mission

To provide patient friendly healthcare to its communities

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 $ 74,042,410 including grants of $ 55,979) (Revenue $ 84,706,419)

The organization operated a 90 bed acute care hospital in Elkins, West Virginia Charges foregone for charity care amounted to $6,786,975

4b (Code) (Expenses $ 156,539 including grants of $) (Revenue $)

The hospital provided community support by providing nutritious meals to residents of Elkins, WV

4c (Code) (Expenses $ 114,251 including grants of $) (Revenue $)

The hospital provided community support by sponsoring various health fairs and providing food or snacks for various community events to residents of Elkins, WV

4d Other program services (Describe in Schedule O)

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

4e Total program service expenses ▶ 74,313,200

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		No
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	Yes	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
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**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
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	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**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 to any question in this Part V . . . . . ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	77		
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	819		
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," 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 to any question in this Part VI . . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	16		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	13		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**			No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**			No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**			No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**			No
6	Did the organization have members or stockholders?	**6**		Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**		Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**		Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?	**8a**		Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**		Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**			No

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

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

Section C. Disclosure

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

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

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

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

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

▶Rebecca Hammer Gorman Avenue and Reed Street Elkins, WV (304) 637-3156

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Hugh Hitchcock Board Member	1 00 1 00	X						0	0	0
(2) William Hartman Vice-Chairman	2 00 2 00	X						0	0	0
(3) Andrew Gongola Treasurer	2 00 2 00	X						0	0	0
(4) George Scott Board Member	1 00 1 00	X						0	0	0
(5) Bridgette Wilson Secretary	2 00 2 00	X						0	0	0
(6) Connie Tenney Board Member	1 00 1 00	X						0	0	0
(7) Terry White Board Member	1 00 1 00	X						0	0	0
(8) Suzi Moore Board Member	1 00 1 00	X						0	0	0
(9) Ashton Curtis DPM Board Member	1 00 1 00	X						0	0	0
(10) Steve Toney MD Chairman	2 00 2 00	X						42,874	87,471	0
(11) Tom Felton Board Member	1 00 1 00	X						0	0	0
(12) James Triplett Board Member	1 00 1 00	X						0	0	0
(13) Robert Digman PHD Board Member	1 00 1 00	X						0	0	0
(14) Forrest Kelley Board Member	1 00 1 00	X						0	0	0
(15) Deborah Tysor Board Member	40 00 1 00	X						51,577	0	17,499
(16) Paul Hartel Board Member	40 00 1 00	X						235,488	0	21,256
(17) E Mark Doak President/CEO	40 00 1 00			X				539,084	0	19,393

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			
(18) Rebecca Hammer CFO	40 00 1 00			X				180,523	0	18,481
(19) Mohamed M Fahim Physician	40 00					X		619,279	0	2,500
(20) Donald R Fleming Physician	40 00					X		481,206	0	21,949
(21) Charles K Kirkland Physician	40 00					X		401,295	0	21,949
(22) Marshall Sklar Physician	40 00					X		463,086	0	9,433
(23) John S Veach Physician	40 00					X		411,253	0	10,622
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								3,425,665	87,471	143,082

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 ▶ 46

			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**		No
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
Dunmire Consulting 13352 Paloma Dr Orlando FL 32837	Consulting	586,008
Executive Health Resources 15 Campus Blvd Newton Square PA 19073	Purchased Service	581,795
Medical Doctor PO Box 277185 Atlanta GA 30384	Locums	410,951
Alliance Healthcare PO Box 96485 Chicago IL 60693	PET/CT Scans	276,575
Digital Prospectors 100 High Street Corp Exter NH 03833	Consulting	240,645

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 ▶ 14

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations . . .	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	48,410			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . . ▶		48,410			
Program Service Revenue			Business Code				
	2a	Patient services	622110	84,706,419	84,706,419		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . . ▶		84,706,419			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		572,718		61,141	511,577
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real	(ii) Personal			
	6a	Gross rents	70,570				
	b	Less rental expenses	0				
	c	Rental income or (loss)	70,570				
	d	Net rental income or (loss) . . . . . ▶			70,570	4,200	66,370
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory					
	b	Less cost or other basis and sales expenses		16,518			
	c	Gain or (loss)		-16,518			
	d	Net gain or (loss) . . . . . ▶			-16,518		-16,518
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	Cafeteria	722210	834,362			834,362
	b	Pharmacy	900099	799,890			799,890
	c	Management fees	900099	68,004		68,004	
	d	All other revenue		394,340			394,340
	e	**Total.** Add lines 11a–11d . . . . . ▶		2,096,596			
	12	**Total revenue.** See Instructions . . . . . ▶		87,478,195	84,706,419	133,345	2,590,021

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	55,979	55,979		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,132,432	967,437	164,995	
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	31,882,346	27,237,088	4,645,258	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	368,942	315,187	53,755	
9 Other employee benefits	5,819,701	4,971,771	847,930	
10 Payroll taxes	2,206,977	1,885,420	321,557	
11 Fees for services (non-employees)				
a Management				
b Legal	162,004		162,004	
c Accounting	81,626		81,626	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	5,769,088	4,928,532	840,556	
12 Advertising and promotion	98,255		98,255	
13 Office expenses	5,639,330	4,918,090	721,240	
14 Information technology	1,885,656	1,610,916	274,740	
15 Royalties . .				
16 Occupancy	922,850	788,391	134,459	
17 Travel	295,851	252,746	43,105	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	817,319	698,236	119,083	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,621,891	3,948,481	673,410	
23 Insurance	783,010	668,925	114,085	
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 Medical supplies	8,967,400	7,660,850	1,306,550	
b Bad debts	8,634,300	8,634,300		
c Repairs and maintenance	2,196,730	1,876,666	320,064	
d Unrelated business inco	7,604	7,604		
e All other expenses	3,019,010	2,886,581	132,429	
25 **Total functional expenses.** Add lines 1 through 24e	85,368,301	74,313,200	11,055,101	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1,236,594	1	2,583,236
	2	Savings and temporary cash investments		5,450,640	2	3,555,662
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		11,197,748	4	14,811,476
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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		633,770	7	471,464
	8	Inventories for sale or use		1,268,315	8	1,822,453
	9	Prepaid expenses and deferred charges		441,972	9	1,221,833
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 95,751,110			
	b	Less accumulated depreciation	10b 65,548,279	27,881,681	10c	30,202,831
	11	Investments—publicly traded securities		11,186,704	11	6,075,488
	12	Investments—other securities See Part IV, line 11		3,766,827	12	3,257,741
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		8,966,832	15	9,496,827
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		72,031,083	16	73,499,011
Liabilities	17	Accounts payable and accrued expenses		12,069,445	17	10,137,892
	18	Grants payable			18	
	19	Deferred revenue			19	373,059
	20	Tax-exempt bond liabilities		8,850,000	20	8,850,000
	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		626,600	23	2,059,043
	24	Unsecured notes and loans payable to unrelated third parties		266,510	24	3,861,447
	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		7,941,254	25	7,036,982
	26	**Total liabilities.** Add lines 17 through 25		29,753,809	26	32,318,423
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		42,277,274	27	41,180,588
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		42,277,274	33	41,180,588
	34	Total liabilities and net assets/fund balances		72,031,083	34	73,499,011

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	87,478,195
2	Total expenses (must equal Part IX, column (A), line 25)	2	85,368,301
3	Revenue less expenses Subtract line 2 from line 1	3	2,109,894
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	42,277,274
5	Net unrealized gains (losses) on investments	5	335,559
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-3,542,139
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	41,180,588

Part XII Financial Statements and Reporting

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

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

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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.**

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

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

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test

Explanation

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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.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

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	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

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

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	106,509	2,044,880		2,151,389
b Buildings	231,721	33,249,635	26,132,219	7,349,137
c Leasehold improvements				
d Equipment		54,008,378	39,416,060	14,592,318
e Other		6,109,987		6,109,987
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				30,202,831

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

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

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

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

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

(a) Description	(b) Book value
(1) Other receivables	211,126
(2) Due from affiliates	2,782,416
(3) Bond issue costs, net of amortization	154,188
(4) Due from subsidiary	6,349,097
Total. *(Column (b) must equal Form 990, Part X, col.(B) line 15.)* . . . . . ▶	9,496,827

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
Due to affilates	88,945
Capital leases	5,477,346
Post retirement benefit obligation	1,433,475
Estimated third-partypayor settlements	37,216
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	7,036,982

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

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	78,670,368
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	335,559		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d			
e	Add lines **2a** through **2d**			2e	335,559
3	Subtract line **2e** from line **1**			3	78,334,809
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	9,143,386		
c	Add lines **4a** and **4b**			4c	9,143,386
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	87,478,195

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

1	Total expenses and losses per audited financial statements			1	79,767,054
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	3,409,221		
e	Add lines **2a** through **2d**			2e	3,409,221
3	Subtract line **2e** from line **1**			3	76,357,833
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	9,010,468		
c	Add lines **4a** and **4b**			4c	9,010,468
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	85,368,301

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
Part XI, Line 4b - Other Adjustments		Decrease in retained earnings of unconsolidated subsidiary 509,086 Bad debt expense netted with revenue in financial statements 8,634,300
Part XII, Line 2d - Other Adjustments		Transfers to affiliates 3,409,221
Part XII, Line 4b - Other Adjustments		Bad debt expense netted with revenue in financial statements 8,634,300 Change in pension funded status 376,168

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

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 12000 0000000000 %			
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		No
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		
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)			2,758,565	40,850	2,717,715	3 540 %
b Medicaid (from Worksheet 3, column a)			14,367,730	8,830,342	5,537,388	7 220 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			17,126,295	8,871,192	8,255,103	10 760 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			189,913	4,825	185,088	0 240 %
f Health professions education (from Worksheet 5)			5,404	2,634	2,770	0 %
g Subsidized health services (from Worksheet 6)			3,563,242	1,571,998	1,991,244	2 590 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			270,289		270,289	0 350 %
j **Total.** Other Benefits			4,028,848	1,579,457	2,449,391	3 180 %
k **Total.** Add lines 7d and 7j			21,155,143	10,450,649	10,704,494	13 940 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members			2,886		2,886	0 %
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**			2,886		2,886	

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	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	3,954,509		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	18,088,325		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	17,855,452		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	232,873		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?		9a	Yes	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b	Yes	

Part IV **Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V Facility Information

Section A. Hospital Facilities

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

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	Davis Memorial Hospital PO Box 1484 Elkins, WV 26241	X	X					X			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or facility reporting group Davis Memorial Hospital

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)				
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9	1		No
	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 ___			
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
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		
5	Did the hospital facility make its CHNA report widely available to the public?	5		
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☐ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide plan			
d	☐ Participation in the execution of a community-wide plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
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		
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 120 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 300 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 ☐ 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 patient's eligibility under the facility's FAP			
a ☑ Reporting to credit agency			
b ☑ Lawsuits			
c ☑ Liens on residences			
d ☐ Body attachments			
e ☑ Other similar actions (describe in Part VI)			
17 Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**	Yes	
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 Part VI)			

Part V Facility Information *(continued)*

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

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

Policy Relating to Emergency Medical Care

		Yes	No
19 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**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 individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**21**		No
If "Yes," explain in Part VI			
22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?	**22**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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

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

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

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

Identifier	ReturnReference	Explanation
		Part I, Line 7 The cost of charity care was determined based on the hospital's cost accounting system The total account cost and total account revenue for those receiving charity care are reported to come to a true cost associated with the accounts The determined cost to charge ratio for the total account is then applied to the portion on charity care received The cost of Medicaid was determined using the Hospital's cost accounting system Accounts showing Medicaid as the primary payor along with total account cost was pulled, the cost to charge ratio was determined and applied to the total Medicaid revenue The cost of subsidized health services was determined using the hospital's cost accounting system Community benefit costs were determined from reports filled out by staff/managers involved to determine contributions Participants supply labor cost as well as any labor costs involved in the community activity Managers are supplied with community benefit forms When they perform community service, they supply cost information and any offsetting revenue associated with the event We have 1 staff member that compiles these forms on a monthly basis Health professions education costs are compiled through the year and reported by the manager involved in the education opportunity or approving party
		Part I, Line 7g Subsidized health care services include clinics as well as OB/GYN/Labor/Delivery & Nursery services
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is $ 8634300
How the community benefit report is made available to the public	Part I, Line 6b	Community benefit reports are inserted into regional newspapers, mailed to certain regional zip codes, and made available in common areas in Davis Health System facilities
Physician clinic costs included in subsidized services	Part I, Line 7g	The cost of physician clinics included in subsidized health services was $1,910,833
		Part III, Line 4 Audited financial statement footnote relating to bad debt expense Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts The allowance is based upon a review of the outstanding balances aged by financial class Management uses collection percentages based upon historical collection experience to determine collectibility Management also reviews troubled, aged accounts to determine collection potential Delinquency status is based on date of service Patient accounts receivables are written off when deemed uncollectible Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received The cost of bad debts was determined based on the Hospital's cost accounting system and decision support system All costs, direct and indirect, are stepped down by department based on revenue Bad debt expense is reduced by bad debt recoveries and discounts for payment
		Part III, Line 8 Medicare allowable costs were estimated using Worksheet B of the Schedule H instructions None of the shortfall is considered to be community benefit since the deviation changes each year
		Part III, Line 9b Patients who indicate they have an inability to pay for their medical care are referred to the financial counselor and/or a Medicaid Eligibility Specialist Patients who do meet financial assistance guidelines but demonstrate an inability to meet our minimum payment quidelines are given a reduced payment plan Collection procedures regarding reduced payment plans follow the hospital's normal procedures Patients with catastrophic illnesses are referred to the WV Catastrophic Illness Fund Patients whose care is a refult of a crime will be referred to the WV Crime Victims Fund
Additional Medicare revenues and costs	Part III, Section B, lines 5 and 6	Medicare revenues and costs not included on lines 5 and 6 include professional fees and HMO inpatient and outpatient care totaling $7,617,536
Davis Memorial Hospital		Part V, Section B, Line 14g The policy is posted on the Davis Health System Website and is published annually in local newspapers The policy is posted in all patient registration areas including ER, Admissions and OP testing The procedure is also explained in financial counseling brochures available throughout the Health System and in physician offices All employees are also notified via the internal website where it is posted We also employ 2 financial counselors who work with and screen the uninsured and underinsured populations We also have a financial advocate from health and human services
Davis Memorial Hospital		Part V, Section B, Line 16e We are also screening patients through a third party database through the advisory board prior to placement with a collections agency This scrub provides us with likelihood to qualify for medicaid as well as screens the patients for our internal assistance policy The presumptive charity adjustments that are done as budgetary constraints allow to better identify medically indigent and patients who have a need for assistance to prevent derogatory collection activity
Davis Memorial Hospital		Part V, Section B, Line 20d The hospital provides a straight 25% discount to uninsured individuals paying their balances This discount is lower than any of our negotiated insurance contract rates
Davis Memorial Hospital		Part V, Section B, Line 22 All patients, including insurance companies, are billed at gross charges Discounts are provided at the time of payment in full Charity discounts are applied at the point of approval
		Part VI, Line 2 Davis Health System relies heavily on data provided by the Bureau for Public Health, namely, the county Health Profiles that outline risk factors for chronic diseases In addition, the Community Health Promotion Director gleans information and statistics from health screenings that are held for the public, as well as our employees This information helps in planning future educational events and screenings
		Part VI, Line 3 The information is posted in public areas within the hospital The financial policy brochure is publicly displayed and posted on the internal network and the health system website A patient advocate contacts worklists of medically indigent patients to help secure and provide education to affiliate and non-affiliate physician offices referring to Davis Memorial Hospital
		Part VI, Line 4 The Hospital serves several rural counties in eastern West Virginia Randolph county has a population of 29,405 with 16 9% having a bachelor's degree or higher and average household income of $32,027 Upshur county has a population of 24,254 with 15 5% having a bachelor's degree or higher, average household income of $35,255 Barbour county has a population of 16,589 with 12 1% having a bachelor's degree or higher, average household income of $34,547 Pocahontas county has a population of 8,719 with 12 5% having a bachelor's degree or higher, average household income of $30,757 Tucker county has a population of 7,141 with 13 2% having a bachelor's degree or higher, average household income of $33,630 Additionally, 17 8% of all West Virginians live below the poverty level Davis Memorial is the only hospital in Randolph County There is one critical access hospital in Pocahontas County and one general service hospital in Upshur County
		Part VI, Line 5 The organization's health care facilities further its exempt purpose in the following ways The organization's governing body is comprised of persons who reside in the organization's primary service area The corporate by laws provide for Board representation from the counties surrounding Davis Memorial Hospital The organization extends medical staff privileges to all qualified physicians in its community for some or all of its departments The organization operates an emergency room available to all, regardless of ability to pay Specialized services offered by the organization that are not available elsewhere include neurology, pain management, otolaryngology, pulmonology, critical care medicine, general surgery, internal medicine, obstetrics and gynecology, radiation oncology, medical oncology and hematology The organization serves as a vehicle for attracting charitable support, as well as a source of community volunteer activities The organization provides an internet link to its Community Benefit Report
		Part VI, Line 6 Davis Health System's mission includes the delivery of healthcare services and programs that promote improved health for individuals and families The quality of life of entire communities is impacted through these vital programs generally offered at little or no cost Some of the health issues targeted by Davis Health System to the communities served by our organization include diabetes, obesity and weight management, tobacco use and heart disease, womens health, influenza, and, cancer and cancer prevention Our outreach serves five primary West Virginia counties (Randolph, Tucker, Upshur, Barbour, and Pocahontas), with some overflow to neighboring counties as well Several examples of projects that represent our commitment to advancing the emotional and physical health benefits to the people of these communities include community health fairs, diabetes education programs and support groups, diabetes foot screenings, speaking engagements and presentations to schools, civic groups and other organizations, colon cancer screenings and education, community walking program, participation with the American Cancer Society's Relay for Life and March of Dimes, partnership with boards of education, influenza vaccination clinics, partnership with county health departments, drug take-back, smoking cessation classes and support and pap smear and breast examinations

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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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Randolph County Hooked on Fishing Not on Drugs PO Box 2293 Elkins, WV 26241		501(c)(3)	13,000				Support hooked on fishing, not on drugs programs
(2) Mountain State Forest Festival PO Box 388 Elkins, WV 26241	55-0488261	501(c)(4)	5,900				Event sponsorship
(3) United Hospital Center PO Box 1680 Clarksburg, WV 26301	55-0525724	501(c)(3)	8,450				Support program for sane exams and fees

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

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

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

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

Part IV **Supplemental Information.**

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The organization grants money to other 501(c)(3) organizations and relies on the IRS's oversight of the grantees as they have an exemption from the IRS

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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, question 23.
▶ Attach to Form 990. ▶ See separate instructions.

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2012

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Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

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**	Yes	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**	Yes	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	☑ Compensation committee	☑ Written employment contract		
	☐ Independent compensation consultant	☑ Compensation survey or study		
	☐ Form 990 of other organizations	☑ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		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**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		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				
(1)Paul Hartel Board Member	(i)	235,488	0	0	1,808	21,390	258,686	0
	(ii)	0	0	0	0	0	0	0
(2)E Mark Doak President/CEO	(i)	307,231	0	231,853	2,300	19,563	560,947	0
	(ii)	0	0	0	0	0	0	0
(3)Rebecca Hammer CFO	(i)	180,523	0	0	1,388	18,584	200,495	0
	(ii)	0	0	0	0	0	0	0
(4)Mohamed M Fahim Physician	(i)	619,279	0	0	2,500	4,121	625,900	0
	(ii)	0	0	0	0	0	0	0
(5)Donald R Fleming Physician	(i)	451,206	30,000	0	2,500	23,166	506,872	0
	(ii)	0	0	0	0	0	0	0
(6)Charles K Kirkland Physician	(i)	401,295	0	0	2,500	21,968	425,763	0
	(ii)	0	0	0	0	0	0	0
(7)Marshall Sklar Physician	(i)	463,086	0	0	2,253	10,897	476,236	0
	(ii)	0	0	0	0	0	0	0
(8)John S Veach Physician	(i)	411,253	0	0	2,500	10,036	423,789	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 4b	Mark Doak participated in a 457(f) plan However, no amount was paid out in 2012

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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.

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Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

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
Total			▶ $									

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
(1) Davis Trust Company	Hugh Hitchcock, a hospital board member, is the President of Davis Trust Co	4,000,000	Davis Trust Company, in conjunction with another lending organization, loaned the filing organization $4,000,000 during 2012 with a variable interest rate of 3 25%		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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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.

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2012

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	Davis Health System is the parent corporation of Davis Memorial Hospital The bylaws of the corporation designate Davis Health System as the sole corporate member of Davis Memorial Hospital, and granting all rights to members of nonprofit corporations by the laws of the state of West Virginia

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7a	Davis Health System is the parent corporation of Davis Memorial Hospital The bylaws of the corporation designate Davis Health System as the sole corporate member of Davis Memorial Hospital, and granting all rights to members of nonprofit corporations by the laws of the state of West Virginia

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 7b	Davis Health System is the parent corporation of Davis Memorial Hospital The bylaws of the corporation designate Davis Health System as the sole corporate member of Davis Memorial Hospital, and granting all rights to members of nonprofit corporations by the laws of the state of West Virginia

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The 990 will be distributed to all board members It will be presented and discussed at a Board of Trustees meeting or a Finance Committee meeting, whichever occurs first after the completion of Form 990 If the Finance Committee meeting is the first to occur, all members of the Board of Trustees will be encouraged to attend the Finance Committee where the Form is to be discussed

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 12c	The Davis Health System Conflict of Interest Policy requires that each director, officer, and committee member with board delegated powers shall annually sign a statement which affirms the person has received a copy of the conflict of interest policy and reads and understands the policy Board members complete the statement in January of each year The conflict of interest statements are reviewed by the Executive Committee In addition to board members, senior staff are required to annually prepare a conflict of interest statement

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 15	The Compensation Committee of the Board of Trustees is responsible for the oversight of the compensation for the senior staff A consultant (Yaffe & Company) is engaged who facilitates the annual evaluation process for determining compensation for executives The consultant coordinates a series of meetings, leads discussions on the chief executive officer's performance evaluation, presents market analysis information for key positions and provides recommendations for salary levels based on that information The committee makes their decision using the guidance of the consultant

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section C, line 19	The Board of Trustees adopted a Record Keeping and Disclosure Policy in January of 2003 The policy provides for disclosure of corporate and financial records not covered by governmental or contractual agreements Any request for financial or other corporate documents are submitted to the Executive Committee of the Board of Trustees and decisions are made on a case by case basis The Compliance Code of Conduct Policy includes standards relating to conflicts of interest within the organization This information is shared with the public, being posted on the website in addition to being distributed to all patients admitted to the hospital

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Equity method income of subsidiary -509,086 Change in pension funded status 376,168 Transfers to affiliates -3,409,221

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SCHEDULE R (Form 990)

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

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Department of the Treasury
Internal Revenue Service

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
(1) Broaddus Hospital Association Inc PO Box 930 Philippi, WV 26416 55-0379108	Hospital	WV	501(c)(3)	Line 3	N/A		No
(2) Davis Health System Inc PO Box 1484 Elkins, WV 26241 55-0737655	Health System	WV	501(c)(3)	Line 11b, II	N/A		No
(3) Davis Health System Foundation PO Box 1188 Elkins, WV 26241 32-0185772	Supporting organization to health care organization	WV	501(c)(3)	Line 9	N/A		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) Health Facilities Inc 909 Gorman Avenue Elkins, WV 26241 55-0516937	Health Care	WV		C	-543,897	10,797,171	100 000 %		No
(2) Central WV Medcorp Inc PO Box 2630 Elkins, WV 26241 55-0739314	Physician Offices	WV		C					No
(3) Elkins Regional Health Partners Physician Hospital Organization Inc PO Box 2632 Elkins, WV 26241 55-0746206	Hospital Organization	WV		C					No

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to 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		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j	Yes	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
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		No

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Health Facilities Inc	A	59,634	Cash - FMV
(2) Central WV Medcorp Inc	B	1,561,193	Cash - FMV
(3) Health Facilities Inc	L	50,004	Cash - FMV
(4) Health Facilities Inc	K	141,345	Cash - FMV

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

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

(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 section 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

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

Identifier	Return Reference	Explanation

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 55-0375433
Name: Davis Memorial Hospital

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DAVIS MEMORIAL HOSPITAL

Financial Report

December 31, 2012

arnett foster toothman pllc
CPAs & Advisors

CONTENTS

arnett foster toothman pllc
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Davis Memorial Hospital
Elkins, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Davis Memorial Hospital, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements

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

Basis for Qualified Opinion

In order to report the Hospital's financial position and activities separately from its wholly-owned subsidiary, the Hospital has elected to report this investment under the equity method of accounting Accounting principles generally accepted in the United States of America require that wholly owned subsidiaries be consolidated The effects on the financial statements of not consolidating the subsidiary are discussed in Note 15 to the financial statements

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The Hospital terminated the defined benefit pension plan in 2012 The effect of the pension settlement as disclosed in Note 9 to the financial statements was a $5,332,174 adjustment to pension expense and $5,708,342 to Other Changes in Net Assets The Hospital recorded the net amount of $376,168 as a change in pension funded status within Other Changes in Net Assets for the year ended December 31, 2012 In our opinion, netting the expense portion and the Other Changes in Net Assets is not in conformity with accounting principles generally accepted in the United States of America

Qualified Opinion

In our opinion, except for the effects of not consolidating the wholly-owned subsidiary and not recording the effect of the pension settlement within operating income described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Davis Memorial Hospital as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

ARNETT FOSTER TOOTHMAN PLLC

Arnett Foster Toothman PLLC

Charleston, West Virginia
June 5, 2013

DAVIS MEMORIAL HOSPITAL

BALANCE SHEETS
December 31, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	**$ 1,183,724**	$ 1,351,387
Patient accounts receivable, net of allowance for doubtful accounts of approximately $18,162,000 in 2012 and $11,280,000 in 2011	**14,658,712**	11,097,856
Supplies inventory	**1,822,453**	1,268,315
Assets limited as to use	**1,653,440**	761,999
Prepaid expenses and other current assets	**1,221,833**	441,972
Estimated third-party payor settlements	**-**	506,442
Total current assets	**20,540,162**	15,427,971
Assets Limited As to Use, net of current portion	**9,372,747**	15,756,077
Property and Equipment, net	**30,096,322**	27,775,172
Other Assets		
Due from affiliates	**9,131,513**	8,068,613
Investment in unconsolidated subsidiary	**3,257,741**	3,766,827
Deferred bond issuance costs, net	**154,188**	184,472
Other assets	**110,984**	110,984
Other receivables and advances	**835,354**	940,967
Total other assets	**13,489,780**	13,071,863
Total assets	**$ 73,499,011**	$ 72,031,083
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term obligations	**$ 2,743,708**	$ 2,449,300
Accounts payable	**4,684,595**	3,782,716
Employee compensation and payroll taxes	**5,004,167**	4,720,675
Accrued interest	**114,357**	76,700
Post retirement benefit obligation	**168,251**	166,231
Accrued retirement plan contribution	**300,326**	856,387
Estimated third-party payor settlements	**37,216**	-
Due to affiliates	**88,945**	36,811
Total current liabilities	**13,141,565**	12,088,820
Long-Term Obligations, net of current maturities	**17,504,128**	13,047,533
Other Liabilities		
Accrued pension benefit cost, net of current portion	**34,447**	2,632,159
Post retirement benefit obligation, net of current portion	**1,265,224**	1,341,730
Deferred compensation payable	**-**	238,466
Deferred income	**373,059**	405,101
Total other liabilities	**1,672,730**	4,617,456
Total liabilities	**32,318,423**	29,753,809
Net Assets		
Unrestricted	**41,180,588**	42,277,274
Total net assets	**41,180,588**	42,277,274
Total liabilities and net assets	**$ 73,499,011**	$ 72,031,083

DAVIS MEMORIAL HOSPITAL

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	**$ 84,626,757**	$ 80,470,242
Provision for bad debts	**(8,634,300)**	(6,775,879)
Net patient service revenue less provision for bad debts	**75,992,457**	73,694,363
Other revenue	**1,870,660**	1,588,290
Electronic health records incentive reimbursement	**-**	617,123
Total revenues, gains and other support	**77,863,117**	75,899,776
Operating expenses		
Salaries and wages	**32,889,017**	30,934,274
Payroll taxes and benefits	**8,094,820**	9,251,415
Professional fees and contracted services	**6,287,288**	5,565,002
Supplies and other expenses	**20,837,348**	20,210,057
Insurance	**749,803**	646,606
Repairs and maintenance	**2,060,347**	1,912,771
Interest	**817,319**	705,280
Depreciation and amortization	**4,621,891**	4,134,470
Total expenses	**76,357,833**	73,359,875
Operating income	**1,505,284**	2,539,901
Other income (loss)		
Investment income	**572,718**	492,323
Decrease in retained earnings of unconsolidated subsidiary	**(509,086)**	(503,914)
Gain (loss) on disposal of assets	**(16,518)**	1,884
Contributions	**48,410**	52,389
Total other income	**95,524**	42,682
Excess of revenues over expenses	**1,600,808**	2,582,583
Changes in net unrealized gains and (losses) on other than trading securities	**335,559**	(398,165)
Change in pension funded status	**376,168**	(1,814,837)
Transfers to affiliates	**(3,409,221)**	(1,855,339)
Changes in net assets	**(1,096,686)**	(1,485,758)
Net assets, beginning of year	**42,277,274**	43,763,032
Net assets, end of year	**$ 41,180,588**	$ 42,277,274

DAVIS MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	**$ (1,096,686)**	$ (1,485,758)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	**4,591,607**	4,101,859
Amortization of bond issue cost	**30,284**	32,611
Net realized and unrealized (gain) loss on other than trading securities	**(601,274)**	267,118
(Gain) loss on disposal of assets	**16,518**	(1,884)
Decrease in retained earnings of unconsolidated subsidiary	**509,086**	503,914
Provision for bad debts	**8,634,300**	6,775,879
Change in assets and liabilities		
(Increase) decrease in patient accounts receivable	**(12,195,156)**	(7,148,396)
(Increase) decrease in supplies inventory	**(554,138)**	(8,044)
(Increase) decrease in prepaid expenses and other assets	**(674,248)**	126,692
(Increase) decrease in estimated third-party payor settlements	**543,658**	47,992
Increase (decrease) in accounts payable, accrued expenses and post retirement benefit obligation	**(2,005,231)**	3,692,744
Increase (decrease) in deferred compensation payable	**(238,466)**	1,308
Increase (decrease) in deferred investment income	**(32,042)**	(30,439)
Net cash provided by (used in) operating activities	**(3,071,788)**	6,875,596
Cash Flows From Investing Activities		
Purchase of property and equipment	**(6,242,424)**	(3,388,042)
Advances to related parties net of repayments	**(1,010,766)**	(377,339)
Proceeds from sale of investments	**11,826,032**	4,354,611
Purchase of investments	**(5,732,869)**	(4,261,714)
Proceeds from disposal of property and equipment	**-**	3,500
Net cash used in investing activities	**(1,160,027)**	(3,668,984)
Cash Flows From Financing Activities		
Principal payments on long-term obligations	**(1,994,891)**	(3,240,267)
Proceeds from issuance of long-term obligations	**6,059,043**	-
Net cash provided by (used in) financing activities	**4,064,152**	(3,240,267)
Decrease in cash and cash equivalents	**(167,663)**	(33,655)
Cash and Cash Equivalents		
Beginning of year	**1,351,387**	1,385,042
End of year	**$ 1,183,724**	$ 1,351,387
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	**$ 779,662**	$ 711,044
Supplemental Schedule of Noncash Investing and Financing Activities		
Acquisition of equipment with various financing arrangements	**$ 686,851**	$ 5,283,185
Net asset transfers (to) from related parties and related reductions in due from affiliates	**$ (3,409,221)**	$ (1,855,339)

See Notes to Financial Statements

DAVIS MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: Davis Memorial Hospital (the Hospital) is a not-for-profit acute care hospital located in Elkins, West Virginia The Hospital provides acute inpatient, outpatient and emergency care services for residents of Elkins and surrounding areas Admitting physicians are primarily practitioners in the local area The Hospital was incorporated in West Virginia and is affiliated with Davis Health System, Inc , a not-for-profit corporation The Hospital and its subsidiary are under the control of Davis Health System, Inc

The Hospital owns 100% of the common stock of Health Facilities, Inc , a for-profit corporation The investment is reported in the financial statements by the equity method of accounting The wholly-owned subsidiary should be consolidated with the Hospital for the Hospital's financial statements to be presented in accordance with accounting principles generally accepted in the United States of America

A summary of significant accounting policies is as follows:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

Basis of presentation Net assets and revenues, gains and losses are classified based on donor imposed restrictions Accordingly, net assets of the Hospital and changes therein are classified and reported as follows

Unrestricted - Resources over which the Board of Directors has discretionary control Designated amounts represent those net assets which the Hospital has set aside for a particular purpose

Temporarily restricted - Resources subject to donor imposed restrictions which will be satisfied by actions of the Hospital or passage of time (None at December 31, 2012 and 2011)

Permanently restricted - Resources subject to donor imposed restrictions that they be maintained permanently by the Hospital or for which perpetual trusts have been established The donors of these resources permit the Hospital to use all or part of the income earned, excluding capital appreciation, on related investments for unrestricted purposes (None at December 31, 2012 and 2011)

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements

Gifts of cash and other assets are reported at fair value and are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions

Cash and cash equivalents: For purposes of reporting the statement of cash flows, the Hospital considers all cash accounts, which are not subject to withdrawal restrictions, penalties or other arrangements under trust and endowment agreements, and all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents excluding amounts classified as limited as to use by Board designation and other arrangements under trust agreements

Patient accounts receivable: Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts The allowance is based upon a review of the outstanding balances aged by financial class Management uses collection percentages based upon historical collection experience to determine collectibility Management also reviews troubled, aged accounts to determine collection potential For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third–party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts Recoveries of accounts previously written off are recorded as a reduction to the provision for bad debt expense when received Interest is not charged on patient accounts receivable

The Hospital's allowance for doubtful accounts for self-pay patients remained at 76 percent of self-pay accounts receivable at December 31, 2012 and 2011 In addition, the Hospital's self-pay write offs increased approximately $78,000 from approximately $3,297,000 for the fiscal year 2011 to approximately $3,375,000 for fiscal year 2012 The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors

Supplies inventory: Supplies inventory, which consists principally of supplies, are stated at latest invoice cost, which approximates lower of cost (first-in, first-out method) or market

Assets limited as to use: Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors for specified purposes, such as future capital improvements, employee benefits, and self-insurance malpractice claims, over which the Board retains control and may at its discretion subsequently use for other purposes Amounts required to meet current liabilities of the Hospital have been reclassified as current assets in the balance sheets at December 31, 2012 and 2011

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities

Property and equipment: Property and equipment acquisitions are recorded at cost Depreciation is provided over the estimated useful lives of each class of depreciable assets and is computed by the straight-line method Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment Such amortization is included in depreciation and amortization in the financial statements Expenditures for repairs and maintenance are charged to expense as incurred Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of costs of acquiring those assets

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

Excess of revenues over expenses: The statement of operations includes excess of revenues over expenses Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets)

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

Revenue from the Medicare and Medicaid programs accounted for approximately 35 percent and 9 percent, respectively, and 38 percent and 9 percent, respectively, of the Hospital's net patient revenue for the years ended December 31, 2012 and 2011, respectively Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term

Charity care: The Hospital provides care to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the Hospital's financial statements

Estimated malpractice liability: The liability for estimated medical malpractice claims includes estimates of the ultimate costs for claims incurred but not reported Beginning in 2006 the Hospital began accounting for its liability for estimated medical malpractice claims by offsetting payments made to fund the captive insurance company owned by Davis Health System, Inc

Bond issuance costs: Costs incurred in issuing the Series 1998 bonds are being amortized over the life of the original bond issue by the effective interest method

Income taxes: The Hospital is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes relating to not-for-profit organizations

The Hospital is subject to routine audits by taxing jurisdictions, however, there are currently no audits or any tax examinations for years prior to the fiscal year ended December 31, 2009

Reclassifications: Certain 2011 amounts have been reclassified to conform with the 2012 presentation The reclassifications had no impact on previously reported net assets

Subsequent events: The Hospital has evaluated subsequent events through June 5, 2013, the date on which the financial statements were available to be issued

New or Recent Accounting Pronouncements: In May 2011, the FASB issued *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (*ASU 2011-04) ASU 2011-04 amends Accounting Standards Codification (ASC) Section 820 to provide for common fair value measurement and disclosure requirements for financial statements in accordance with accounting principles generally accepted in the United States of America as with those prepared under International Financial Reporting Standards Consequently, the amendments of the ASU change the wording used to describe many of the requirements of accounting principles generally accepted in the United States of America for measuring fair value and for disclosing information about fair value measurements For many of the requirements, the FASB did not intend for the amendments in this ASU to result in a change in the application of the requirements in ASC Section 820 This ASU is effective on a prospective basis for fiscal years beginning after December 15, 2011 Since the new guidance amends disclosure requirements only, its adoption did not impact the Hospital's balance sheets, statements of operations or cash flows

Note 2. Cash Concentrations

Financial instruments that potentially subject the Hospital to significant concentration of credit risk consist principally of cash The Hospital maintains cash with financial institutions which, at times, may exceed federally insured limits The Hospital believes it is not exposed to any significant credit risk on cash

Note 3. Concentrations of Credit Risk

The Hospital is located in Elkins, West Virginia The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements The mix of net receivables from patients and third-party payors as of December 31, 2012 and 2011 follows

	2012	2011
Medicare	**29%**	31%
Medicaid	**14%**	11%
Other third-party payors	**42%**	39%
Private pay	**15%**	19%
	100%	100%

Note 4. Assets Limited as to Use

The composition of assets limited as to use at December 31, 2012 and 2011 is set forth in the following table Investments are stated at fair value

	2012	2011
By Board designation for self-insured malpractice fund, capital improvements, employee benefits and deferred compensation fund:		
Cash, cash equivalents and certificates of deposit	**$ 3,599,079**	$ 4,871,427
Mutual funds	**2,919,354**	9,520,636
Common stocks	**1,505,236**	-
	8,023,669	14,392,063
By indenture agreement, held by trustee:		
Money market funds	**1,351,620**	459,945
U S Treasury obligations	**1,650,898**	1,666,068
	3,002,518	2,126,013
Total assets limited as to use	**11,026,187**	16,518,076
Less current portion	**1,653,440**	761,999
Non-current portion	**$ 9,372,747**	$ 15,756,077

Approximately $2,900,000 of the securities held for capital improvements at December 31, 2012, are pledged as security for a bank loan

At December 31, 2012, assets limited as to use had approximately $2,919,000 invested in one mutual fund which has a value that exceeds 10% of the Hospital's total investments The Vanguard Short-Term Investment-Grade investment seeks to provide current income while maintaining limited price volatility The fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment grade securities

Investment income and gains (losses) for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended December 31, 2012 and 2011

	2012	2011
Investment income:		
Interest income and dividends earned	**$ 247,369**	**$ 301,642**
Realized gain on sale of securities	**265,715**	**131,047**
Income from subsidiary	**59,634**	**59,634**
	$ 572,718	**$ 492,323**
Other changes in unrestricted net assets		
Net unrealized gains (losses) on other than trading securities	**$ 335,559**	**$ (398,165)**

The Hospital invests in various investment securities Investment securities are exposed to various risks such as interest rate, market, and credit risks Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements The System does not require collateral to secure its investments

Note 5. Property and Equipment, Subsequent Event and Commitment

A summary of property and equipment at December 31, 2012 and 2011, is as follows

	2012	2011
Land	**$ 2,044,880**	$ 2,044,880
Land improvements	**1,633,622**	1,633,622
Building and building improvements	**33,505,894**	32,929,870
Equipment	**53,983,839**	50,080,725
	91,168,235	86,689,097
Less accumulated depreciation and amortization	**65,548,280**	61,033,710
	25,619,955	25,655,387
Construction in progress	**4,476,367**	2,119,785
Property and equipment, net	**$ 30,096,322**	$ 27,775,172

Estimated additional cost to complete construction in progress is approximately $10 4 million at December 31, 2012 The Hospital is renovating a portion of its facility and constructing an addition consisting of a new two story entrance to the hospital, one floor for inpatient admissions and outpatient registration, one floor for outpatient services, and an adjoining three story medical office building

Capital lease assets included in property and equipment are as follows

	2012	2011
Equipment	**$ 7,661,655**	$ 7,391,384
Less accumulated amortization	**1,975,075**	1,500,591
	$ 5,686,580	$ 5,890,793

Note 6. Long-Term Obligations

A summary of long-term obligations at December 31, 2012 and 2011, follows

	2012	2011
Series 1998 Revenue Bonds, principal due in varying annual amounts, with interest from 4 2% to 5 2%, further terms below	**$ 8,850,000**	$ 8,850,000
Draw note payable, bank, principal not to exceed $9,964,000, variable interest based upon 2 0 percentage points over the LIBOR index, interest only payments through November 2013, principal balance due in eighty-three monthly payments beginning on December 31, 2013, secured by investments held at bank with market value of approximately $2,900,000	**2,059,043**	-
Note payable, bank, bearing interest at a variable rate of 3 25% at December 31, 2012, due in monthly installments of $39,099	**3,861,447**	-
Loan payable, paid	**-**	611,142
Financing arrangement obligations, at varying interest rates ranging from 0% to 15%, with monthly payments ranging from $4,097 to $111,511, maturing at various dates through September 2017, secured by related equipment	**5,477,346**	5,753,723
Note payable, paid	**-**	266,510
Note payable, paid	**-**	15,458
	20,247,836	15,496,833
Less current maturities	**2,743,708**	2,449,300
Long-term obligations	**$ 17,504,128**	$ 13,047,533

The 1998 bond indenture grants an interest in the gross revenues of the Hospital as security for payment of the bonds and requires the Hospital to maintain specific debt coverage ratios Other provisions of the indenture or other bank debt require monthly principal and interest payments to the trustee, the maintenance of certain bond fund deposit accounts, and specified insurance coverage, and requires that the Hospital charge sufficient rates for services to meet the debt service requirements

Aggregate maturities of long-term obligations at December 31, 2012, are as follows

	Financing Arrangement Obligations	Long-Term Debt
2013	$ 1,943,200	$ 1,046,951
2014	1,787,529	1,088,397
2015	1,496,939	1,145,220
2016	244,586	1,197,463
2017	126,402	1,250,047
Thereafter	-	9,042,410
	$ 5,598,656	$ 14,770,488
Less amount representing interest under financing arrangement obligations	121,310	
	$ 5,477,346	

Note 7. Estimated Third-Party Payor Settlements

Estimated third-party payor settlements consist of amounts due from/to the Medicare and Medicaid programs for settlement of cost reports These estimated settlements by program are as follows

	2012	2011
Medicare	**$ (37,216)**	$ 451,574
Medicaid	-	54,868
Net intermediary receivable	**$ (37,216)**	$ 506,442

The State of West Virginia Disproportionate Share Hospital State Plan was amended to provide for a settlement process among participating hospitals The Bureau for Medicaid services has settled the DSH amounts through 1999 The State has compiled the information for the years subsequent to 1999 to begin the settlement process There is a proposal to the West Virginia Department of Health and Human Resources (WVDHHR) for settlement of all DSH audits through 2010 with no cash settlements The laws and regulations governing the DSH settlement process are complex, involving statistical data from all participating hospitals, and subject to interpretation Accordingly, management of the Hospital is not able to estimate additional settlements, if any, that could arise upon completion of the DSH settlement process

Note 8. Net Patient Service Revenue and Cost of Charity Care

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

- **Medicare**

  Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization

- **Medicaid**

  Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts

- **Commercial Insurance Carriers**

  The Hospital also entered into payment agreements with certain commercial insurance carriers The basis for payment to the Hospital under these agreements includes various discounts from established charges

- **West Virginia Health Care Authority**

  The Legislature of the State of West Virginia has created the Health Care Authority to regulate a hospital's gross patient revenue based on limitation orders compiled from rate schedules and budgets submitted by the hospital on a periodic basis If a hospital's charges are held to be excessive or unreasonable, the Health Care Authority may require rebates to consumers or adjustments to subsequent year revenue limits

Charity Care

The Hospital provides charity care to patients who are financially unable to pay for the health care services they receive The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care if the patient has an adjusted income equal to or below 100% of the Federal Poverty Income levels A sliding scale discount is applied for patients up to 300% of the Federal Poverty Guidelines Accordingly, the Hospital does not report these amounts in the net revenues or in the allowance for doubtful accounts The Hospital determined the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, based on data from its costing system The costs of caring for charity care patients for the years ended December 31, 2012 and 2011 were approximately $2,641,000 and $3,200,000, respectively

The Hospital maintains records to identify and monitor the level of charity care it provides These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics The following information measures the level of charity care provided during the years ended December 31 (in thousands)

	2012	2011
Charges forgone, based on established rates	**$ 6,786,975**	$ 7,976,035

A summary of gross and net patient service revenue for all payors for the years ended December 31, 2012 and 2011 follows

	2012	2011
Gross patient service revenue	**$ 179,022,770**	$ 174,635,565
Supplemental Medicaid funding	**3,904,964**	-
Less provision for		
Contractual adjustments	**91,514,002**	86,189,288
Charity care	**6,786,975**	7,976,035
Provision for bad debts	**8,634,300**	6,775,879
Net patient service revenue	**$ 75,992,457**	$ 73,694,363

Supplemental Medicaid Funding: In 2012, the Federal Department of Health and Human Services, Centers for Medicare and Medicaid Services approved a State of West Virginia Medicaid Plan Amendment The Plan Amendment provides for supplemental Medicaid payments to qualifying hospitals These supplemental payments are made for medical services provided to Medicaid recipients The program is limited to state fiscal years 2012 and 2013

The approved supplemental payment methodology also implements a provider tax as an expansion of the health care provider tax The new revenues produced will be used as the state contribution toward drawing down additional federal matching dollars for Medicaid to enhance current hospital payment rates under an Upper Payment Limit (UPL) program In addition to the current tax of 2 5% currently imposed on providers of inpatient and outpatient hospital services, there is an additional tax of eighty-eight one hundredths of one percent (0 88%) on the gross receipts The tax provisions expire on July 1, 2013 and are being implemented retroactively to July 1, 2011 Amounts charged to expense for the additional tax imposed amounted to $611,966 and $0 for the years ended December 31, 2012 and 2011, respectively

This additional expense is included within supplies and other expense in the accompanying statements of operations The Hospital recorded revenue totaling $3,904,964 and $0 for the supplemental Medicaid payments for the years ended December 31, 2012 and 2011, respectively, and is recorded as an increase to net patient service revenue Of this amount, $650,000 had not been received as of December 31, 2012 and therefore is included within prepaid expenses and other current assets in the accompanying balance sheets Approximately $1 9 million will be received in fiscal year 2013 The State of West Virginia is awaiting an approval from the Federal Government to extend the program through 2014

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy) On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided Thus the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended December 31, 2012 and 2011 from these major payor sources, is as follows

2012	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 80,359,376	$ 4,267,381	$ 84,626,757

2011	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	$ 77,720,628	$ 2,749,614	$ 80,470,242

The Hospital qualifies as a disproportionate share hospital for Medicaid This designation entitles the Hospital to disproportionate share payments from Medicaid Additional income recorded in 2012 and 2011, as a result of being classified as a disproportionate share provider, is approximately $196,000 and $222,000, respectively In addition, the Hospital received Medicaid Enhanced Payments of approximately $1 4 million and $1 8 million in 2012 and 2011, respectively These amounts are recorded as a reduction of contractual adjustments

As disclosed in Note 7 to the accompanying financial statements, the Hospital has recorded assets and liabilities for cost report settlement amounts with Medicare and Medicaid The 2012 and 2011 net patient service revenue was decreased by approximately $170,000 and $198,000, respectively, as a result of settlements at amounts different than originally estimated

Note 9. Pension and Postretirement Plans

Defined Benefit Plan

The Hospital has a defined benefit pension plan covering substantially all its employees The plan benefits are based on years of credited service and the employees' compensation level The Hospital's policy is to make contributions to the plan in amounts, as actuarially determined, sufficient to fund benefits

Effective September 30, 2006, the Hospital froze the plan, and then created a 401(k) plan effective January 1, 2007 There were employer pension contributions of $2,587,533 and $819,850 and benefits paid of $58,708 and $791,889 for the years ended December 31, 2012 and 2011, respectively Post-retirement employer contributions were $179,832 and $164,140 for the years ending December 31, 2012 and 2011, respectively

The Board of Trustees adopted a resolution to terminate the defined benefit pension plan The pension plan was terminated in 2012 The plan paid numerous lump sum payments resulting in a combined total of $12,528,148, which represents a settlement of the plan

The following table sets forth the change in benefit obligations, changes in plan assets, and components of net periodic benefit cost for both the pension plan and the other postretirement benefit plans

Obligation and funded status:

	Pension Benefits		Post Retirement Benefits	
	2012	2011	**2012**	2011
Fair value of plan assets	**$ 42,012**	$ 9,961,062	**$ -**	$ -
Projected benefit obligations	**(76,459)**	(12,593,221)	**(1,433,475)**	(1,507,961)
Funded status and total accrued cost	**$ (34,447)**	$ (2,632,159)	**$ (1,433,475)**	$ (1,507,961)

Amounts recognized on balance sheet, excluding $300,326 (2012) and $856,387 (2011) outstanding relating to the Hospital's 401(k) plan, consist of

	Pension Benefits		Post Retirement Benefits	
	2012	2011	**2012**	2011
Current liabilities	**$ -**	$ -	**$ (168,251)**	$ (166,231)
Noncurrent liabilities	**(34,447)**	(2,632,159)	**(1,265,224)**	(1,341,730)
	$ (34,447)	$ (2,632,159)	**$ (1,433,475)**	$ (1,507,961)

The accumulated benefit obligation for the defined benefit pension plan was $76,459 and $12,593,221 at December 31, 2012 and 2011, respectively

Cumulative amounts recognized in other changes in net assets not yet recognized as a component of net periodic cost benefit:

	Pension Benefits		Post Retirement Benefits	
	2012	2011	**2012**	2011
Unrecognized actuarial loss	**$ (32,726)**	$ (5,741,068)	**$ (418,360)**	$ (384,210)
	$ (32,726)	$ (5,741,068)	**$ (418,360)**	$ (384,210)

Reconciliation of a Plan Settlement	**Before Settlement**	**Effect of Settlement**	**After Settlement**
Accrued benefit obligation	**$ (14,384,600)**	**$ 14,308,141**	**$ (76,459)**
Projected benefit obligation	**(14,384,600)**	**14,308,141**	**(76,459)**
Plan assets at fair value	**12,570,160**	**(12,528,148)**	**42,012**
Items not yet recognized in earnings			
Unrecognized net (gain)/loss subsequent to transition	**7,144,893**	**(7,112,167)**	**32,726**
(Pension liability)/prepaid pension cost on balance sheet	**$ 5,330,453**	**$ (5,332,174)**	**$ (1,721)**

	Pension Benefits		Post Retirement Benefits	
	2012	2011	**2012**	2011
Net periodic benefit cost, excluding 401(k) cost	**$ 365,989**	$ 258,770	**$ 71,196**	$ 92,854
Amount of settlement loss recognized	**5,332,174**	-	**-**	-
Total pension cost	**5,698,163**	258,770	**71,196**	92,854
Other changes in net assets not yet recognized in expense	**5,708,342**	(1,814,837)	**-**	-
Total recognized in net periodic benefit cost and other changes in net assets	**$ 10,179**	$ (2,073,607)	**$ 71,196**	$ 92,854

The estimated net loss and prior services cost for the pension plans that will be amortized from unrestricted net assets into periodic benefit cost over the next fiscal year are $1,003 and $261,022 at December 31, 2012 and 2011, respectively

Additional Information – Assumptions

The assumptions used to determine benefit obligations in the actuarial valuations were as follows

	Pension Benefits		Post Retirement Benefits	
	2012	2011	**2012**	2011
Discount rate	**4.50%**	5 00%	**3.35%**	4 35%
Rate of increase in compensation levels	**N/A**	N/A	**N/A**	N/A
Rate of increase in healthcare cost	**N/A**	N/A	**5.00%**	5 00%

The assumptions used to determine net periodic pension costs were as follows

	Pension Benefits		Post Retirement Benefits	
	2012	2011	**2012**	2011
Discount rate	**4.50%**	5 00%	**3.35%**	4 35%
Expected long-term rate of return on assets	**5.25%**	5 25%	**7.00%**	7 00%
Rate of increase in compensation levels, plan frozen	**N/A**	N/A	**N/A**	N/A
Rate of ultimate benefit cost increase	**N/A**	N/A	**5.00%**	5 00%

Management relies on past performances, economic indicators of future returns, actuarial assumptions, and investment advisors to determine a reasonable expected return on the Plan's assets

Plan Assets

The composition of plan assets at December 31, 2012 consists of cash and cash equivalents The composition of plan assets at December 31, 2011 consisted primarily of investments in certificates of deposit (62 28)%, corporate bonds (22 51)%, and government securities which represent moderate risk as measured by credit quality, volatility and interest rate risk

The plan has invested in securities with a long-term focus, with broad objectives to achieve a rate of return sufficient to meet actuarial interest rates and provide for benefits and expenses in perpetuity The plan's investment objective has been to maintain a prudent risk level balancing growth with the need to preserve capital The plan investment objective has been a target allocation of 25% equities and 75% fixed income However, periodic fluctuations from the target objective occur because of necessary adjustments to invested assets resulting from the various risks of investing

The following table sets forth by level with the fair value hierarchy, pension plan assets at their fair value as of December 31, 2012 and 2011

	Total at December 31, 2012	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Plan investments				
Cash and cash equivalents	**$ 42,012**	$ 42,012	$ -	$ -
Total	**$ 42,012**	$ 42,012	$ -	$ -

	Total at December 31, 2011	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Plan investments				
Cash and cash equivalents	**$ 1,331,308**	$ 1,331,308	$ -	$ -
Certificates of deposit	**6,203,561**	-	6,203,561	-
Government securities	**184,084**	-	184,084	-
Corporate bonds	**2,242,109**	-	2,242,109	-
Total	**$ 9,961,062**	$ 1,331,308	$ 8,629,754	$ -

Cash Flows – Contributions

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid

	Pension Benefits	Post-Retirement Benefits
2013	$ 2	$ 168,251
2014	$ 5	$ 138,629
2015	$ 8	$ 166,185
2016	$ 12	$ 127,849
2017	$ 17	$ 107,441
Thereafter	$ 6,693	$ 374,560

401(k) Plan

The Hospital has a 401(k) profit sharing pension plan for eligible employees whereby the Hospital matches employee contributions and can make additional contributions The amount of the employee's contributions that are matched and the amount of additional contributions are based upon a percentage of employee contributions and eligible salaries, respectively, and are determined annually Employer expense totaled approximately $(507,000) and $1,040,000 for 2012 and 2011, respectively, of which approximately $0 and $779,000 was accrued and included in accrued retirement plan contribution in the balance sheets at December 31, 2012 and 2011, respectively

Note 10. Lease Arrangements and Rental Expense

The Hospital leases real property and equipment under cancelable operating lease agreements expiring at various dates through December 2012 Total rent expense for all operating leases for the year ended December 31, 2012 and 2011 was approximately $531,000 and $606,300, respectively

Note 11. Health Insurance Plan

The Hospital is partially self-insured with respect to employee health insurance claims and their health insurance coverage Under this program, gross charges for employees receiving services at Davis Memorial Hospital are expensed and recorded as an employee benefit expense To protect itself against extraordinary claims of its employees, the Hospital has purchased stop-loss insurance The Hospital's cost is limited to $125,000 per year per covered person Amounts payable under this plan at December 31, 2012 and 2011, for actual claims and claims incurred but not reported was $780,000 and $550,000, respectively

Total expense for health insurance for the years ended December 31, 2012 and 2011 was $4,483,000 and $4,456,000, respectively

HRA Plan

The Hospital has a health reimbursement arrangement (HRA), whereby funds are set aside to reimburse employees for qualified medical expenses Employer contributions to this plan totaled approximately $719,000 and $734,000 for the years ended December 31, 2012 and 2011, respectively

Note 12. Functional Expenses

The Hospital provides general health care services to residents within its geographic location Expenses related to providing these services are as follows

	2012	2011
Health care services	**$ 66,469,577**	$ 63,771,337
General and administrative	**9,888,256**	9,588,538
Total	**$ 76,357,833**	$ 73,359,875

Note 13. Advertising Expense

The Hospital's policy is to expense costs for advertising as they are incurred Advertising costs included in expenses for 2012 and 2011 were approximately $95,000 and $144,100, respectively

Note 14. Medical Malpractice Insurance, Contingency and Commitment

The Hospital obtained professional and general liability insurance from Providers Re SPC, Providers Segregated Portfolio No 5 (the Captive), which is a captive insurance company domiciled in the Cayman Islands wholly owned by Davis Health System, Inc , with which the Hospital is affiliated, to fully cover medical malpractice claims Davis Health System, Inc , developed the captive for the purpose of providing professional and general healthcare liability insurance coverage for its affiliated hospitals, Davis Memorial Hospital and Broaddus Hospital Association, Inc The policy acquired from the Captive is a claims made policy Additionally, effective December 1, 2006, the Hospital purchased reinsurance with $4,000,000 limits

From October 1, 2000 through February 28, 2004, and for current claims incurred but not reported to the Captive, the Hospital was self-insured for medical malpractice claims The ultimate costs of malpractice claims, which include costs associated with litigating or settling claims, were accrued when the incidents that gave rise to the claims occurred Estimated losses from asserted and unasserted claims have been accrued based on the best estimates of the ultimate costs of the claims and the relationship of past reported incidents to eventual claim payments All relevant information, including industry experience, actuarial calculations, historical experience, existing asserted claims, and reported incidents have been used in estimating the expected amount of claims to be paid The accrual included an estimate of the losses that would result from unreported incidents, which were probable of having occurred before the end of the reporting period Accrued malpractice costs are recorded by the Captive and Davis Health System, Inc Total provision for self-insured medical malpractice claims charged to expense for the years ended December 31, 2012 and 2011 was approximately $299,000 and $340,000, respectively

The Captive, as described above, had funds at December 31, 2012 and 2011 of $6,224,320 and $5,823,377, respectively, available for payment of malpractice claims and expenses

Note 15. Investment in Wholly-Owned Subsidiary

Davis Memorial Hospital owns 100% of the common stock of Health Facilities, Inc , a for-profit corporation The investment is reported in the financial statements on the equity method of accounting that approximates the Hospital's equity in the underlying book value of the subsidiary

A summary of the subsidiary's unaudited assets, liabilities, and retained earnings, results of operations and changes in retained earnings follows The Hospital's interest in the net assets of the subsidiary is reported as an investment in subsidiary on the balance sheets

	2012	2011
Assets	**$ 10,793,549**	$ 10,133,023
Liabilities	**$ 7,535,808**	$ 6,366,196
Equity	**$ 3,257,741**	$ 3,766,827
Total revenue	**$ 10,134,174**	$ 9,168,921
Expenses	**$ 10,643,260**	$ 9,672,835
Decrease in retained earnings	**$ (509,086)**	$ (503,914)

Health Facilities, Inc 's balance sheet includes a note payable to Davis Memorial Hospital of $1,542,432 and $1,482,798 for 2012 and 2011, respectively, accounts receivable of $27,077 and $29,538 for 2012 and 2011, respectively, and accounts payable of $4,589,950 and $3,801,953 for 2012 and 2011, respectively

The Hospital records its investment in Health Facilities, Inc on the balance sheets at the above equity amounts and the net income in the statement of operations, rather than reporting assets, liabilities, revenues and expenses, as it would be reported if consolidated financial statements were issued

The effect, if consolidated according to accounting principles generally accepted in the United States of America, would be to reclassify and increase reported amounts for the years ended December 31, 2012 and 2011 as follows

	2012	2011
Total assets	**$ 990,438**	$ 606,361
Total liabilities	**$ 990,438**	$ 606,361
Total revenues	**$ 9,939,225**	$ 9,482,370
Total expenses	**$ 10,388,677**	$ 9,482,370
Excess (deficiency) of revenues over expenses rather than income of subsidiary	**$ (509,086)**	$ (503,914)

Note 16. Related Parties

The Hospital has several related parties The entities are related through common ownership or affiliation through Davis Health System, Inc The entities include Health Facilities, Inc , Central WV Medcorp, Inc , Broaddus Hospital Association, Inc , Providers Re SPC, Providers Segregated Portfolio No 5, Davis Memorial Hospital Foundation, Inc and Davis Health System, Inc Davis Health System, Inc is the parent company of Davis Memorial Hospital and the other named entities except Health Facilities, Inc Health Facilities, Inc , is wholly-owned by Davis Memorial Hospital, and operates a pharmacy, durable medical equipment sales center and a wellness center Central WV Medcorp, Inc , is another sister entity that provides physician medical services to the residents of Elkins and Buckhannon, West Virginia, and surrounding areas Broaddus Hospital Association, Inc , is a hospital in the System, providing acute care to the residents of Philippi and surrounding areas Davis Memorial Hospital provides management assistance to Broaddus Hospital Association, Inc under a management contract Providers Re SPC, Providers Segregated Portfolio No 5 is a captive insurance company domiciled in the Cayman Islands, created by Davis Health System, Inc , to provide medical malpractice insurance coverage for the Hospital and Broaddus Hospital Association Davis Health System Foundation, Inc promotes the maintenance, development, and improvement of the health system

Captive Insurance

During the years ended December 31, 2012 and 2011, the Hospital obtained its professional and general health care liability insurance policy from a captive insurance company wholly owned by Davis Health Systems, Inc , Providers Re SPC, Providers Segregated Portfolio No 5 (Note 14) The Hospital incurs expenses on behalf of this entity The balance due related to these services was $1,075,732 and $875,732 as of December 31, 2012 and 2011, respectively

Health Facilities, Inc.

The Hospital has made cash advances to Health Facilities, Inc (Note 15) that are reflected in the financial statements on which it charges interest which were $59,634 for both 2012 and 2011 Other transactions with Health Facilities, Inc include payments by the Hospital for salaries, rents, supplies and other services Amounts due from Health Facilities, Inc were $6,518,292 and $5,670,661 at December 31, 2012 and 2011, respectively The Hospital also had amounts due to Health Facilities, Inc of $27,077 and $29,538 at December 31, 2012 and 2011, respectively The Hospital incurred rent expense of $141,345 and $138,210, and housekeeping expense of $0 and $0, for the years ended December 31, 2012 and 2011, respectively, for services performed by Health Facilities, Inc The Hospital also had rental income of $3,600 from Health Facilities, Inc for the years ended December 31, 2012 and 2011

Davis Health System, Inc.

The Hospital transfers funds to its parent corporation, Davis Health System, Inc The Hospital also purchases various supplies and other services for Davis Health System, Inc , and has limited transactions with other subsidiaries of Davis Health System, Inc The Hospital had net asset transfers of $1,848,028 and $320,922 to Davis Health System, Inc , for the years ended December 31, 2012 and 2011, respectively The Hospital had amounts due from Davis Health System of $343,976 and $299,071 at December 31, 2012 and 2011, respectively

Broaddus Hospital Association, Inc.

The Hospital incurred costs for salaries and benefits, supplies, malpractice insurance and other services on behalf of Broaddus Hospital Association, Inc (Broaddus) The expenses were incurred and billed to Broaddus For the years ended December 31, 2012 and 2011, the Hospital incurred $1,201,762 and $1,119,372 for salaries, respectively, and $722,503 and $441,180 for supplies and other expenses, respectively, for Broaddus Additionally, the Hospital performs billing and collection services for Broaddus As of December 31, 2012 and 2011, the Hospital was due $719,101 and $756,255, respectively, from Broaddus Hospital Association, Inc for these charges and cash advances No interest is charged on the outstanding balance

Central WV Medcorp, Inc.

The Hospital is related to Central WV Medcorp, Inc a subsidiary of Davis Health System, Inc The Hospital incurs expenses on behalf of this entity for salaries and supplies expenses The amount of the charges for the years ended December 31, 2012 and 2011 was $925,620 and $821,282, respectively The balance due related to these services was $468,656 and $463,403 as of December 31, 2012 and 2011, respectively The Hospital also had amounts due to this entity of $61,868 and $7,273 at December 31, 2012 and 2011, respectively Additionally, the Hospital had net asset transfers to WV Medcorp, Inc during the years ended December 31, 2012 and 2011 in the amount of $2,906,193 and $1,534,417, respectively

Davis Health System Foundation, Inc.

The Hospital is related to Davis Health System Foundation, Inc , a subsidiary of Davis Health System, Inc The Hospital incurs minor expenses on behalf of this entity for operations The balance due related to these services was $5,756 and $3,491 as of December 31, 2012 and 2011, respectively

Following is a summary of amounts due from related parties at December 31:

	2012	2011
Broaddus Hospital Association, Inc	$ **719,101**	$ 756,255
Health Facilities, Inc	**6,518,292**	5,670,661
Central WV MedCorp	**468,656**	463,403
Davis Health System Foundation, Inc	**5,756**	3,491
Provider's Regarding SPC-Segregated Portfolio No 5	**1,075,732**	875,732
Davis Health System	**343,976**	299,071
	$ 9,131,513	$ 8,068,613

Note 17. Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of Federal, state and local governments Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations If the Hospital is found in violation of these laws, the Hospital could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs

Note 18. Derivative Financial Instruments, Unearned Revenue and Contingency

The Hospital has a "forward" contract with First Union National Bank (Union) Under the terms of the contracts, in exchange for up-front fees from Union totaling $923,000, the Hospital and Trustee on the 1998 Bonds agreed to use funds held by the Trustee under the Bond Indenture to purchase eligible securities, generally zero coupon U S Government Securities with the difference between maturity value and market value at the time of purchase being paid to Union In essence total interest to be recognized on each security over its life was to be paid to Union on the date of purchase In effect, through this derivative financial instrument, the Hospital received prepayment of the discounted present value of the expected future interest income on the Trustee funds and was obligated to pay Union all earnings on the funds to be deposited, under the sinking fund requirements of the outstanding bond offering, into these Trust accounts

The Hospital's goal in this transaction was to obtain ready cash, and to protect itself against potentially unfavorable fluctuations in interest rates The forward contracts entail market risk for the Hospital since the

Hospital will be unable to benefit from potential future favorable interest rate fluctuations In addition, in the event scheduled deposits are not made into the Trustee funds, or in the case of early extinguishment of the Bonds, the Hospital would be required to reimburse Union the economic equivalent of Union's lost rights under the contracts

The up-front fees from Union were deferred and are being amortized on a straight-line basis over the life of the 1998 Bonds The amortization is reported as interest income on the statement of operations The unamortized amount at December 31, 2012 and 2011 of $373,059 and $405,101, respectively, is shown on the balance sheet as unearned revenue Payments to Union are equivalent to earnings on the Bond Trust accounts and the net impact on earnings of the payments under the forward contract and the earnings on the bond fund are $0

Note 19. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements

This Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date This Topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value The standard describes three levels of inputs that may be used to measure fair value

Level 1: Quoted prices for identical assets or liabilities traded in active exchange markets, such as the New York Stock Exchange

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets or other observable inputs that can be corroborated by observable market data Level 2 also includes derivatives contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation, also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data

Fair Value Measurements

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy

Investments and Assets Limited as to Use: Investment securities and assets limited as to use are recorded at fair value on a recurring basis Fair value measurement is based upon quoted prices, if available If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating

Assets at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis

	Total at December 31, 2012	Fair Value Measurements Using Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 4,833,003	$ 4,833,003	$ -	$ -
Common Stock	1,505,236	1,505,236	-	-
Mutual Funds				
Bond Fund	2,919,354	2,919,354	-	-
U.S. Treasury Obligations	1,650,898	1,650,898	-	-
Certificates of Deposit	117,696	-	117,696	-
Total investments and assets limited as to use	$ 11,026,187	$ 10,908,491	$ 117,696	$ -

	Total at December 31, 2011	Fair Value Measurements Using Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 5,165,571	$ 5,165,571	$ -	$ -
Mutual Funds				
Growth Funds	2,450,622	2,450,622	-	-
Corporate Fund	2,403,745	2,403,745	-	-
Small Cap Fund	823,614	823,614	-	-
Bond Fund	3,842,655	3,842,655	-	-
U.S. Treasury Obligations	1,666,068	1,666,068	-	-
Certificates of Deposit	165,801	-	165,801	-
Total investments and assets limited as to use	$ 16,518,076	$ 16,352,275	$ 165,801	$ -

Assets Recorded at Fair Value on a Nonrecurring Basis

The Hospital has no assets or liabilities that are recorded at fair value on a nonrecurring basis

Note 20. Electronic Health Records (EHR)

The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act (ARRA) The HITECH Act includes provisions designed to increase the use of EHR by both physicians and hospitals The Hospital intends to comply with the EHR meaningful use requirements of the HITECH Act in time to qualify for the maximum available Medicare and Medicaid incentive payments The Hospital's compliance will result in significant costs including professional services focused on successfully designing and implementing EHR solutions along with costs associated with the hardware and software components of the project The Hospital has incurred and will continue to incur both capital expenditures and operating expenses in connection with the implementation of its EHR initiatives The timing of these expenditures does not necessarily correlate with the timing of receipt of the incentive payments and the recognition of revenues The Hospital estimates that they will capitalize approximately $6 million and incur approximately $1 million of additional operating expenses related to implementation of EHR initiatives The Hospital currently estimates that at a minimum total costs incurred to comply will be recovered through improved reimbursement amounts over the projected lifecycle of this initiative During the years ended December 31, 2012 and 2011, the Hospital recognized $0 and $617,123, respectively, in revenues related to Medicaid EHR incentive payments