



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



efile GRAPHIC print - DO NOT PROCESS

As Filed Data -

DLN: 93493321036644

Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

Information about Form 990 and its instructions is at [www.IRS.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 01-01-2013, 2013, and ending 12-31-2013

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 province, country, and ZIP or foreign postal code

Elkins, WV 26241

F Name and address of principal officer

E Mark Doak

PO Box 1484

Elkins, WV 26241

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

☐ Yes☒ No

H(b) Are all subordinates included?

☐ Yes☐ No

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

H(c) Group exemption number

I Tax-exempt status

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

J Website:

www.davishealthsystem.org

K Form of organization

☒ Corporation☐ Trust☐ Association☐ Other

L Year of formation

1903

M State of legal domicile

WV

Part I	Summary																																										
Activities & Governance	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																																										
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>15</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>12</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>797</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>87</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>136,689</td></tr><tr><td>7b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>61,681</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	15	4	Number of independent voting members of the governing body (Part VI, line 1b)	12	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	797	6	Total number of volunteers (estimate if necessary)	87	7a	Total unrelated business revenue from Part VIII, column (C), line 12	136,689	7b	Net unrelated business taxable income from Form 990-T, line 34	61,681																								
3	Number of voting members of the governing body (Part VI, line 1a)	15																																									
4	Number of independent voting members of the governing body (Part VI, line 1b)	12																																									
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	797																																									
6	Total number of volunteers (estimate if necessary)	87																																									
7a	Total unrelated business revenue from Part VIII, column (C), line 12	136,689																																									
7b	Net unrelated business taxable income from Form 990-T, line 34	61,681																																									
Revenue	<table><tr><th></th><th>Prior Year</th><th>Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>48,410</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>84,706,419</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>556,200</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>2,167,166</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>87,478,195</td></tr><tr><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>55,979</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>41,410,398</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td></tr><tr><td>16b</td><td>Total fundraising expenses (Part IX, column (D), line 25)</td><td>0</td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>43,901,924</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>85,368,301</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>2,109,894</td></tr></table>		Prior Year	Current Year	8	Contributions and grants (Part VIII, line 1h)	48,410	9	Program service revenue (Part VIII, line 2g)	84,706,419	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	556,200	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,167,166	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	87,478,195	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	55,979	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	41,410,398	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	16b	Total fundraising expenses (Part IX, column (D), line 25)	0	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	43,901,924	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	85,368,301	19	Revenue less expenses Subtract line 18 from line 12	2,109,894
	Prior Year	Current Year																																									
8	Contributions and grants (Part VIII, line 1h)	48,410																																									
9	Program service revenue (Part VIII, line 2g)	84,706,419																																									
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	556,200																																									
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,167,166																																									
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	87,478,195																																									
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	55,979																																									
14	Benefits paid to or for members (Part IX, column (A), line 4)	0																																									
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	41,410,398																																									
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0																																									
16b	Total fundraising expenses (Part IX, column (D), line 25)	0																																									
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	43,901,924																																									
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	85,368,301																																									
19	Revenue less expenses Subtract line 18 from line 12	2,109,894																																									
Expenses																																											
Net Assets or Fund Balances	<table><tr><th></th><th>Beginning of Current Year</th><th>End of Year</th></tr><tr><td>20</td><td>Total assets (Part X, line 16)</td><td>73,499,011</td></tr><tr><td>21</td><td>Total liabilities (Part X, line 26)</td><td>32,318,423</td></tr><tr><td>22</td><td>Net assets or fund balances Subtract line 21 from line 20</td><td>41,180,588</td></tr></table>		Beginning of Current Year	End of Year	20	Total assets (Part X, line 16)	73,499,011	21	Total liabilities (Part X, line 26)	32,318,423	22	Net assets or fund balances Subtract line 21 from line 20	41,180,588																														
	Beginning of Current Year	End of Year																																									
20	Total assets (Part X, line 16)	73,499,011																																									
21	Total liabilities (Part X, line 26)	32,318,423																																									
22	Net assets or fund balances Subtract line 21 from line 20	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

Signature of officer

E Mark Doak President/CEO

Type or print name and title

2014-11-14

Date

Paid Preparer Use Only

Print/Type preparer's name

Dale Carpenter

Preparer's signature

Date

Check ☐ if self-employed

PTIN

P00189642

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

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part III

Statement of Program Service Accomplishments

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

1

Briefly describe the organization’s mission

To 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 \$ 74,994,101 including grants of \$ 54,959) (Revenue \$ 82,560,799)

The organization operated a 90 bed acute care hospital in Elkins, West Virginia Charges foregone for charity care amounted to \$7,837,243

4b

(Code) (Expenses \$ 129,588 including grants of \$) (Revenue \$)

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

4c

(Code) (Expenses \$ 89,300 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 75,212,989

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

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	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? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	82	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	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	797
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		3b	Yes
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	15	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	12	
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
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies

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

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

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 26241 (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 or note to any line in this Part VII

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Hugh Hitchcock Board Member	1 00 2 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 50	X						0	0	0
(9) Ashton Curtis DPM Board Member	1 00 1 00	X						0	0	0
(10) Steve Toney MD Chairman	27 00 4 00	X						126,789	13,000	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 4 00	X						0	0	0
(14) Forrest Kelley Board Member	1 00 3 00	X						0	0	0
(15) Deborah Tysor Board Member/RN	38 50 1 00	X						47,305	0	16,957
(16) John Kabler Board Member	1 00 1 00	X						0	0	0
(17) Paul Hartel Board Member/Physician	38 00 2 00	X						259,529	0	19,455

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) E Mark Doak President/CEO	29 00 11 00			X				294,846	0	16,957
(19) Rebecca Hammer CFO	36 00 4 00			X				181,252	0	8,012
(20) Mohamed M Fahim Physician	40 00					X		610,798	0	18,957
(21) Donald R Fleming Physician	40 00					X		450,000	0	19,455
(22) Charles K Kirkland Physician	40 00					X		412,425	0	19,455
(23) Marshall Sklar Physician	40 00					X		450,000	0	7,012
(24) John S Veach Physician	39 00 1 00					X		424,575	0	8,118
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								3,257,519	13,000	134,378

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▶52

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		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? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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
	Executive Health Resources 15 Campus Blvd Newton Square PA 19073	Purchased Service	572,465
	Weatherby Locums PO Box 972633 Dallas TX 75397	Physician Locums	497,171
	Comphealth PO Box 972651 Dallas TX 75397	Physician Locums	442,108
	Smith Backhoe & Dozer Service 7 Eleventh Street Elkins WV 26241	Building Contractor	392,742
	Dunmire Consulting 13352 Paloma DrOrlando FL 32837	Consulting	369,204
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 ▶22		

Part VIII

Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d					
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	31,905				
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	31,905				
Program Service Revenue	2a	Patient services	622110	82,560,799	82,560,799		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f	82,560,799				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	189,235		64,485	124,750
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6a		Gross rents	(i) Real 72,170 (ii) Personal				
b		Less rental expenses	0				
c		Rental income or (loss)	72,170				
d		Net rental income or (loss)	72,170		4,200	67,970	
7a		Gross amount from sales of assets other than inventory	(i) Securities 7,030,152 (ii) Other 6,791				
b		Less cost or other basis and sales expenses	6,655,983				
c		Gain or (loss)	374,169				
d		Net gain or (loss)	364,882			364,882	
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		Litigation Settlement	900099	2,100,000			2,100,000
b	EHR Incentive	900099	1,918,427			1,918,427	
c	Cafeteria	722210	852,641			852,641	
d	All other revenue		526,216		68,004	458,212	
e	Total. Add lines 11a-11d		5,397,284				
12	Total revenue. See Instructions		88,616,275	82,560,799	136,689	5,886,882	

Part IX

Statement of Functional Expenses

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

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	54,959	54,959		
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.	977,734	782,676	195,058	
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.	33,164,002	26,547,784	6,616,218	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	66,608	53,320	13,288	
9	Other employee benefits.	7,336,387	5,872,778	1,463,609	
10	Payroll taxes.	2,277,920	1,823,475	454,445	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	401,876		401,876	
c	Accounting.	100,205		100,205	
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).	6,384,495	5,110,788	1,273,707	
12	Advertising and promotion.	92,843		92,843	
13	Office expenses.	5,571,902	4,560,705	1,011,197	
14	Information technology.	1,894,119	1,516,242	377,877	
15	Royalties.				
16	Occupancy.	1,042,202	834,283	207,919	
17	Travel.	270,358	216,422	53,936	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	796,259	637,405	158,854	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	5,098,480	4,081,333	1,017,147	
23	Insurance.	977,153	782,211	194,942	
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	Bad debts.	9,234,284	9,234,284		
b	Medical supplies.	9,009,539	9,009,539	0	
c	Repairs and maintenance.	1,984,811	1,588,841	395,970	
d	Unrelated business income.	16,000	16,000		
e	All other expenses.	2,708,359	2,489,944	218,415	
25	Total functional expenses. Add lines 1 through 24e.	89,460,495	75,212,989	14,247,506	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here ☐ if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		2,583,236	1	2,884,356
	2	Savings and temporary cash investments		3,555,662	2	2,509,105
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		14,811,476	4	11,164,052
	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		471,464	7	696,638
	8	Inventories for sale or use		1,822,453	8	1,658,767
	9	Prepaid expenses and deferred charges		1,221,833	9	861,919
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a106,299,507			
	b	Less accumulated depreciation	10b70,031,482	30,202,831	10c	36,268,025
	11	Investments—publicly traded securities		6,075,488	11	6,688,047
	12	Investments—other securities See Part IV, line 11		3,257,741	12	3,209,023
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		9,496,827	15	11,414,013
	16	Total assets. Add lines 1 through 15 (must equal line 34)		73,499,011	16	77,353,945
Liabilities	17	Accounts payable and accrued expenses		10,137,892	17	11,375,912
	18	Grants payable			18	
	19	Deferred revenue		373,059	19	339,644
	20	Tax-exempt bond liabilities		8,850,000	20	7,420,000
	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		2,059,043	23	9,895,888
	24	Unsecured notes and loans payable to unrelated third parties		3,861,447	24	3,539,481
	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		7,036,982	25	6,166,884
	26	Total liabilities. Add lines 17 through 25		32,318,423	26	38,737,809
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		41,180,588	27	38,616,136
	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		41,180,588	33	38,616,136
	34	Total liabilities and net assets/fund balances		73,499,011	34	77,353,945

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	88,616,275
2	Total expenses (must equal Part IX, column (A), line 25)	2	89,460,495
3	Revenue less expenses Subtract line 2 from line 1	3	-844,220
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	41,180,588
5	Net unrealized gains (losses) on investments	5	98,181
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-1,818,413
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	38,616,136

Part XII Financial Statements and Reporting

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

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

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

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

☐

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

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
b 33 1/3% support test—2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
17a 10%-facts-and-circumstances test—2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
b 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

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

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

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

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

Facts And Circumstances Test

Return Reference	Explanation	
------------------	-------------	--

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047
2013
Open to Public Inspection

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

3

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

4

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

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

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

7

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

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

(ii) Assets included in Form 990, Part X

▶ \$ _____

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

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

Cat No 52283D

Schedule D (Form 990) 2013

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
- c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	
- 2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No
- b

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

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance					
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
- (i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	106,509	2,044,880		2,151,389
b Buildings	231,721	34,221,185	26,984,810	7,468,096
c Leasehold improvements				
d Equipment		56,249,622	43,046,672	13,202,950
e Other		13,445,590		13,445,590
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				36,268,025

Schedule D (Form 990) 2013

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

1	Total revenue, gains, and other support per audited financial statements	1	79,333,273
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII)	2d	-48,718
e	Add lines 2a through 2d	2e	-48,718
3	Subtract line 2e from line 1	3	79,381,991
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	9,234,284
c	Add lines 4a and 4b	4c	9,234,284
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)	5	88,616,275

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

1	Total expenses and losses per audited financial statements	1	80,226,211
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	80,226,211
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	9,234,284
c	Add lines 4a and 4b	4c	9,234,284
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)	5	89,460,495

Part XIII Supplemental Information

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

Return Reference	Explanation
Part XI, Line 2d - Other Adjustments	Decrease in retained earnings of unconsolidated subsidiary -48,718
Part XI, Line 4b - Other Adjustments	Bad debt expense netted with revenue in financial statements 9,234,284
Part XII, Line 4b - Other Adjustments	Bad debt expense netted with revenue in financial statements 9,234,284

[illegible]

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care ☐ 100% ☐ 150% ☐ 200% ☒ Other <u>12000 0000000000 %</u> b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ % c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care 4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year?	5b		No
b	If "Yes," did the organization make it available to the public?	5c		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a		No
		6b		

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) . . .			2,790,515		2,790,515	3 480 %
b Medicaid (from Worksheet 3, column a)			14,996,112	10,215,802	4,780,310	5 960 %
c Costs of other means-tested government programs (from Worksheet 3, column b) .						
d Total Financial Assistance and Means-Tested Government Programs .			17,786,627	10,215,802	7,570,825	9 440 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) . . .			56,106		56,106	0 070 %
f Health professions education (from Worksheet 5) . . .			2,415		2,415	0 %
g Subsidized health services (from Worksheet 6) . . .			4,650,932	1,539,134	3,111,798	3 880 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			218,888		218,888	0 270 %
j Total Other Benefits . . .			4,928,341	1,539,134	3,389,207	4 220 %
k Total . Add lines 7d and 7j .			22,714,968	11,754,936	10,960,032	13 660 %

Part II

Community Building Activities

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members		2,081		2,081	0 %
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total		2,081		2,081	

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

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

4,586,669

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

0

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

17,346,901

6

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

6

17,977,450

7

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

7

-630,549

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

9b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

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

Part V

Facility Information

Section A. Hospital Facilities

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

Name, address, primary website address, and state license number

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

Davis Memorial Hospital

Name of hospital facility or facility reporting group

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a ☒ A definition of the community served by the hospital facility		
b ☒ Demographics of the community		
c ☒ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d ☒ How data was obtained		
e ☒ The health needs of the community		
f ☒ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g ☒ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h ☒ The process for consulting with persons representing the community's interests		
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs		
j ☐ Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	No
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a ☒ Hospital facility's website (list url) _____		
b ☐ Other website (list url) _____		
c ☒ Available upon request from the hospital facility		
d ☐ Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a ☒ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b ☐ Execution of the implementation strategy		
c ☐ Participation in the development of a community-wide plan		
d ☐ Participation in the execution of a community-wide plan		
e ☐ Inclusion of a community benefit section in operational plans		
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA		
g ☐ Prioritization of health needs in its community		
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i ☐ Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing free care? 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	10	Yes
11	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care 300 000000000000% If "No," explain in Part VI the criteria the hospital facility used	11	Yes
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
a ☒ Income level			
b ☒ Asset level			
c ☒ Medical indigency			
d ☐ Insurance status			
e ☒ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Residency			
i ☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	13	Yes
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14	Yes
a ☒ The policy was posted on the hospital facility's website			
b ☐ The policy was attached to billing invoices			
c ☒ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☒ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f ☒ The policy was available upon request			
g ☒ Other (describe in Part VI)			
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other similar actions (describe in Section C)			

Part V

Facility Information (continued)

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

☐

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d

☒

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☒

Other (describe in Section C)

Policy Relating to Emergency Medical Care

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

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

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

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

[illegible]

Part V

Facility Information (continued)

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

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

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

Part VI Supplemental Information

Provide the following information

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

Form and Line Reference	Explanation
Part 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 payer 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 one 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

Form and Line Reference	Explanation
Part I, Line 7, Column (f)	The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is \$ 9,234,284
Part I, Line 7g	The cost of physician clinics included in subsidized health services was \$3,112,899

Form and Line Reference	Explanation
Part II, Community Building Activities	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, women's 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.
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.

Form and Line Reference	Explanation
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 guidelines 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 result of a crime will be referred to the WV Crime Victims Fund.

Form and Line Reference	Explanation
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 work lists of medically indigent patients to help secure and provide education to affiliate and non-affiliate physician offices referring to Davis Memorial Hospital.

Form and Line Reference	Explanation
Part VI, Line 4	The Hospital serves several rural counties in eastern West Virginia. Randolph County has a population of 29,415 with 18% having a bachelor's degree or higher and average household income of \$37,350. Upshur County has a population of 24,665 with 15.4% having a bachelor's degree or higher, average household income of \$41,214. Barbour County has a population of 16,770 with 11.7% having a bachelor's degree or higher, average household income of \$36,087. Pocahontas County has a population of 8,669 with 15.7% having a bachelor's degree or higher, average household income of \$32,381. Tucker County has a population of 6,968 with 16% having a bachelor's degree or higher, average household income of \$36,445. Additionally, 17.6% 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 Barbour County, 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, lithotripsy, sleep studies, PET, digital mammography, critical care medicine, general surgery, internal medicine, obstetrics and gynecology, radiation oncology, medical oncology and hematology. An advanced telemedicine initiative at Davis Health System provides additional specialized services in partnership with other health care providers, nursing homes and larger medical institutions - providing greater medical access to patients in more rural areas of the state. The organization serves as a vehicle for attracting charitable support, as well as a source of community volunteer activities. Student volunteers, youth volunteers and an active adult volunteer program support the mission of the health system by enhancing patient care and programs. A 2013 Community Benefit Report is now available via a link on the Hospital's website.

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
Davis Memorial Hospital

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

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

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

OMB No 1545-0047

2013

Open to Public
Inspection

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) Country Roads Transit PO Box 727 Elkins, WV 26241		501(c)(3)	10,000				Event sponsorship

- 2

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

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

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

Return Reference	Explanation
Part I, Line 2	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

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☒ Travel for companions ☐ Tax idemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e g , maid, chauffeur, chef)		
b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1bYes	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	2Yes	
3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III ☒ Compensation committee ☐ Independent compensation consultant ☐ Form 990 of other organizations ☒ Written employment contract ☒ Compensation survey or study ☒ Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a Receive a severance payment or change-of-control payment?	4a	No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4bYes	
c Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III	4c	No
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? If "Yes," to line 5a or 5b, describe in Part III	5b	No
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? If "Yes," to line 6a or 6b, describe in Part III	6b	No
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	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/Physician	(i)	259,529	0	0	0	21,664	281,193	0
	(ii)	0	0	0	0	0	0	0
(2)E Mark Doak President/CEO	(i)	294,846	0	0	0	19,449	314,295	0
	(ii)	0	0	0	0	0	0	0
(3)Rebecca Hammer CFO	(i)	181,252	0	0	0	9,569	190,821	0
	(ii)	0	0	0	0	0	0	0
(4)Mohamed M Fahim Physician	(i)	610,798	0	0	0	23,206	634,004	0
	(ii)	0	0	0	0	0	0	0
(5)Donald R Fleming Physician	(i)	450,000	0	0	0	23,273	473,273	0
	(ii)	0	0	0	0	0	0	0
(6)Charles K Kirkland Physician	(i)	412,425	0	0	0	22,074	434,499	0
	(ii)	0	0	0	0	0	0	0
(7)Marshall Sklar Physician	(i)	450,000	0	0	0	10,830	460,830	0
	(ii)	0	0	0	0	0	0	0
(8)John S Veach Physician	(i)	424,575	0	0	0	11,588	436,163	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

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

Return Reference	Explanation
Part I, Line 4b	Mark Doak participated in a 457(f) plan. However, no amount was paid in 2013.

SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number

55-0375433

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.

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.

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.

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.

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.

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.

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.

Return Reference	Explanation
Form 990, Part XI, line 9	Equity method income of subsidiary -48,718 Change in pension funded status 0 Transfers to affiliates -1,769,695

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
Davis Memorial Hospital

Employer identification number
55-0375433

Part I Identification of Disregarded Entities Complete if the organization answered "Yes" on Form 990, Part IV, line 33.					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	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" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Health Facilities Inc 909 Gorman Avenue Elkins, WV 26241 55-0516937	Health Care	WV		C	-48,718	11,917,044	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" on Form 990, Part IV, line 34, 35b, or 36.

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a Yes

1b Yes

1c No

1d No

1e No

1f No

1g No

1h No

1i No

1j Yes

1k Yes

1l No

1m No

1n Yes

1o Yes

1p Yes

1q Yes

1r Yes

1s No

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Health Facilities Inc	A	59,634	Cash - FMV
(2) Central WV Medcorp Inc	B	199,598	Cash - FMV
(3) Health Facilities Inc	P	53,604	Cash - FMV

Schedule R (Form 990) 2013

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

[illegible]

Part VII

Supplemental Information

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

Return Reference	Explanation
------------------	-------------

**DAVIS HEALTH SYSTEM, INC.,
SUBSIDIARY AND AFFILIATES**

***Consolidated
Financial Report***

December 31, 2013



CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE SUPPLEMENTARY FINANCIAL INFORMATION	1 - 2
---	-------

FINANCIAL STATEMENTS

Consolidated balance sheets	3
Consolidated statements of operations	4
Consolidated statements of changes in net assets	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7 - 25

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidating balance sheet – 2013	26
Consolidating statement of operations – 2013	27
Consolidating balance sheet – 2012	28
Consolidating statement of operations – 2012	29



INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE SUPPLEMENTARY FINANCIAL INFORMATION

To the Board of Directors
Davis Health System, Inc , subsidiary and affiliates
Elkins, West Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Davis Health System, Inc , subsidiary and affiliates, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Davis Memorial Hospital terminated the defined benefit pension plan in 2012. The effect of the pension settlement as disclosed in Note 8 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 Change 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 recoding the effect of the pension settlement within operating income during 2012, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Davis Health System, Inc., subsidiary and affiliates as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter**Other Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

ARNETT FOSTER TOOTHMAN PLLC

Arnett Foster Toothman PLLC

Charleston, West Virginia
April 9, 2014

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	\$ 3,958,960	\$ 4,272,523
Patient accounts receivable, net of allowance for doubtful accounts of approximately \$14,781,000 in 2013 and \$20,748,000 in 2012	14,680,999	18,350,440
Supplies inventory	2,615,275	2,594,313
Pledges receivable, net of allowance for doubtful accounts of \$26,812 in 2013 and \$26,812 in 2012	71,862	76,281
Assets limited as to use	1,203,558	1,826,966
Prepaid expenses and other current assets	2,997,533	3,164,458
Total current assets	25,528,187	30,284,981
Assets Limited As to Use, net of current portion	16,611,444	15,837,982
Property and Equipment, net	48,538,035	43,007,095
Other Assets		
Covenant not to compete, net	-	24,533
Deferred bond issuance costs, net	151,092	183,023
Other assets	463,934	400,921
Pledges receivable, net of current portion	77,889	159,916
Other receivables and advances	994,596	1,020,275
Total other assets	1,687,511	1,788,668
Total assets	\$ 92,365,177	\$ 90,918,726
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term obligations	\$ 3,993,099	\$ 3,329,774
Accounts payable	7,388,655	5,957,954
Employee compensation and payroll taxes	5,577,498	5,938,049
Other accrued expenses	255,440	262,511
Accrued malpractice costs	350,000	350,000
Post retirement benefit obligation	143,108	168,251
Accrued retirement plan contribution	-	300,326
Estimated third-party payor settlements	187,531	210,218
Total current liabilities	17,895,331	16,517,083
Long-Term Obligations, net of current maturities	27,739,199	23,536,992
Other Liabilities		
Accrued pension benefit cost, net of current portion	-	34,447
Post retirement benefit obligations, net of current portion	1,118,317	1,265,224
Deferred income	339,644	373,059
Accrued malpractice costs, net of current portion	3,808,903	3,934,066
Total other liabilities	5,266,864	5,606,796
Total liabilities	50,901,394	45,660,871
Net Assets		
Unrestricted	40,373,981	44,211,891
Temporarily restricted	1,089,802	1,045,964
Total net assets	41,463,783	45,257,855
Total liabilities and net assets	\$ 92,365,177	\$ 90,918,726

See Notes to Consolidated Financial Statements

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted revenues, gains and other support		
Patient service revenue (net of contractual allowances and discounts)	\$ 105,017,918	\$ 107,559,970
Provision for bad debts	(11,340,271)	(10,691,190)
Net patient service revenue	93,677,647	96,868,780
Rental revenue – patients (less provision for bad debts of \$298,776 in 2013 and \$163,464 in 2012)	3,207,448	3,131,009
Pharmacy revenue	4,543,442	4,119,079
Other revenue	4,531,434	4,724,828
Electronic health records incentive reimbursement	2,259,327	-
Total revenues, gains and other support	108,219,298	108,843,696
Operating expenses		
Salaries and wages	48,528,126	47,939,140
Payroll taxes and benefits	13,855,351	12,448,940
Professional fees and contracted services	9,792,146	8,762,428
Supplies and other expenses	31,736,202	32,185,436
Insurance	1,393,566	551,411
Repairs and maintenance	2,212,168	2,314,510
Interest	1,146,805	1,178,999
Depreciation and amortization	6,389,223	5,896,041
Total expenses	115,053,587	111,276,905
Operating loss	(6,834,289)	(2,433,209)
Other income (losses)		
Investment income	499,982	1,006,108
Loss on disposal of assets	(9,287)	(16,518)
Contributions	84,368	107,453
Contract settlement	2,100,000	-
Total other income	2,675,063	1,097,043
Deficiency of revenues over expenses	(4,159,226)	(1,336,166)
Change in pension funded status	-	376,168
Change in net unrealized gains and (losses) on other than trading securities	244,883	651,717
Net assets released from restrictions	76,433	24,000
Decrease in unrestricted net assets	\$ (3,837,910)	\$ (284,281)

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2013 and 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Net assets, December 31, 2011	\$ 44,496,172	\$ 900,939	\$ 20,000	\$ 45,417,111
Deficiency of revenues over expenses	(1,336,166)	-	-	(1,336,166)
Contributions and interest income	-	121,891	-	121,891
Change in pension funded status	376,168	-	-	376,168
Changes in net unrealized gains and (losses) on other than trading securities	651,717	27,134	-	678,851
Reclass of donor restrictions	20,000	-	(20,000)	-
Net asset released from restriction	4,000	(4,000)	-	-
Changes in net assets	(284,281)	145,025	(20,000)	(159,256)
Net assets, December 31, 2012	44,211,891	1,045,964	-	45,257,855
Deficiency of revenues over expenses	(4,159,226)	-	-	(4,159,226)
Contributions and interest income	-	64,992	-	64,992
Change in pension funded status	-	-	-	-
Changes in net unrealized gains and (losses) on other than trading securities	244,883	55,279	-	300,162
Reclass of donor restrictions	-	-	-	-
Net asset released from restriction	76,433	(76,433)	-	-
Changes in net assets	(3,837,910)	43,838	-	(3,794,072)
Net assets, December 31, 2013	\$ 40,373,981	\$ 1,089,802	\$ -	\$ 41,463,783

See Notes to Consolidated Financial Statements

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ (3,794,072)	\$ (159,256)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	6,384,859	5,891,427
Amortization of bond discount	4,364	4,614
Net realized and unrealized (gains) losses on other than trading securities	(674,331)	(917,432)
Loss on disposal of fixed assets	9,287	16,518
Provision for bad debts	11,340,271	10,691,190
Restricted contributions and investment income received	(64,992)	(121,891)
Change in assets and liabilities		
(Increase) decrease in patient accounts receivable	(7,670,830)	(15,048,477)
(Increase) decrease in other receivables	89,554	318,081
(Increase) decrease in supplies inventory	(20,962)	(589,527)
(Increase) decrease in prepaid expenses and other assets	829,450	(820,682)
(Increase) decrease in pledges receivable	86,446	104,261
Increase (decrease) in estimated third-party payor settlements	(22,687)	1,205,703
Increase (decrease) in accounts payable, accrued expenses, and post retirement benefit obligation	431,093	(2,476,489)
Increase (decrease) in deferred compensation payable	-	(238,466)
Increase (decrease) in deferred income	(33,415)	(32,042)
Net cash provided by (used in) operating activities	6,894,035	(2,172,468)
Cash Flows From Investing Activities		
Purchase of property and equipment	(10,761,111)	(8,337,483)
Proceeds from sale of investments	7,232,113	11,826,032
Purchase of investments	(6,707,836)	(5,482,266)
Proceeds from disposal of property and equipment	5,941	-
Net cash used in investing activities	(10,230,893)	(1,993,717)
Cash Flows From Financing Activities		
Principal payments on long-term obligations	(4,930,451)	(2,533,791)
Proceeds from issue of long-term debt	7,888,754	6,389,094
Restricted contributions and investment income received	64,992	121,891
Net cash provided by financing activities	3,023,295	3,977,194
Decrease in cash and cash equivalents	(313,563)	(188,991)
Cash and Cash Equivalents		
Beginning of year	4,272,523	4,461,514
End of year	\$ 3,958,960	\$ 4,272,523
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 1,155,507	\$ 1,144,158
Cash payments for income taxes	\$ 32,163	\$ 43,031
Supplemental Schedule of Noncash Investing and Financing Activities		
Acquisition of equipment with various financing arrangements	\$ 1,113,452	\$ 686,851
Insurance premiums paid with financing arrangement	\$ 789,413	\$ -

See Notes to Consolidated Financial Statements

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations and subsequent event: The Davis Health System, Inc (the System) is a nonstock, nonprofit corporation organized and existing under the laws of the State of West Virginia. The System is the parent organization of other health care organizations or companies through membership status, Board appointment or stock ownership. A brief description of the activities of each entity follows:

Davis Health System, Inc – provides financial support and management assistance to Davis Memorial Hospital, Broaddus Hospital Association, Inc, Health Facilities, Inc, Davis Health System Foundation, Inc and Central WV Medcorp, Inc. It also holds 100% of the stock of Providers Re SPC - Segregated Portfolio No. 5, a captive insurance company.

Davis Memorial Hospital – provides acute inpatient, outpatient and emergency services to residents of Elkins, West Virginia and surrounding communities. Effective January 1, 2014, the hospital's name was changed to Davis Medical Center.

Broaddus Hospital Association, Inc – provides acute medical, outpatient, and long-term care services to the residents of Philippi, West Virginia and the surrounding area. Broaddus Hospital Association, Inc is a critical access hospital.

Health Facilities, Inc – operates a retail pharmacy, leases office space and engages in durable medical equipment sales and leasing. Wholly-owned by Davis Memorial Hospital.

Central WV Medcorp, Inc – provides physician medical services to the residents of Elkins, West Virginia and surrounding areas.

Provider's Re SPC - Segregated Portfolio No. 5 - formed in March, 2004, domiciled in the Cayman Islands. A wholly-owned captive insurance entity which has underwritten a claims-made insurance policy to fully cover reported medical malpractice claims of the System (Note 9).

Davis Health System Foundation, Inc – promotes the maintenance, development, and improvement of the health system and its affiliated and subsidiary entities that qualify as exempt organizations.

A summary of significant accounting policies is as follows:

Basis of consolidation: The accompanying consolidated financial statements include the accounts of the System, its wholly owned subsidiary and its affiliates. All significant intercompany transactions and balances have been eliminated in consolidation.

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. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for uncollectible accounts, estimated third-party payor settlements and the estimated costs for self insured medical malpractice claims. It is at least reasonably possible that the significant estimates used will change within the next year.

Basis of presentation: Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the System 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 System has set aside for a particular purpose.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Temporarily restricted - Resources subject to donor imposed restrictions which will be satisfied by actions of the System or passage of time. The System had temporarily restricted net assets of \$1,089,802 and \$1,045,964 at December 31, 2013 and 2012, respectively.

Permanently restricted - Resources subject to donor imposed restrictions that they be maintained permanently by the System or for which perpetual trusts have been established. The System had permanently restricted net assets of \$0 at December 31, 2013 and 2012.

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 presenting the statement of cash flows, the System 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 an original maturity of three months or less to be cash equivalents excluding amounts classified as assets 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 System 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 collectability. 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 System 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 debts when received. Interest is not charged on patient accounts receivable.

The System's allowance for doubtful accounts for self-pay patients remained at 76 percent of self-pay accounts receivable at December 31, 2013 and 2012. In addition, the System's self-pay write offs increased approximately \$9.7 million from approximately \$4,447,000 for the fiscal year 2012 to approximately \$14,176,000 for fiscal year 2013. The increase was the result of negative trends experienced in the collection of amounts from self-pay patients in fiscal year 2013. The System 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 is stated at latest invoice cost, which approximates lower of cost (first-in, first-out method) or market.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 future capital improvements, employee benefits, and self-insurance malpractice claims. The Board retains control over the assets and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities have been reclassified as current assets in the balance sheets at December 31, 2013 and 2012.

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 (deficiency) 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 (deficiency) 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 the cost 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 revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the System reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Pledges receivable: The Foundation has pledges receivable approximating \$161,000 and \$236,000 as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, payments of approximately \$72,000 and \$76,000, respectively, are expected to be received within one year and are included in current assets, and \$89,000 and \$160,000 within one to five years and are included in other long-term assets, respectively.

Deferred bond issuance costs: Deferred bond issuance costs are amortized over the remaining life of the bonds using the straight-line method which is not materially different from the effective interest method.

Excess (deficiency) of revenues over expenses: The statement of operations includes excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, included 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 System has agreements with third-party payors that provide for payments to the System 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.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue from the Medicare and Medicaid programs accounted for approximately 35 percent and 11 percent and 35 percent and 11 percent, respectively, of the System's net patient service revenue for the years ended December 31, 2013 and 2012, 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 healthcare affiliates provide care to patients, who meet certain criteria under their charity care policy, without charge or at amounts less than their established rates. Because the healthcare affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the System's financial statements.

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

Income taxes: The System, except for Central West Virginia Medcorp, Inc., and Health Facilities, Inc., 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. Central West Virginia Medcorp, Inc., and Health Facilities, Inc. are subject to Federal and state income taxes.

The System 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, 2010.

Reclassifications: Certain 2012 amounts have been reclassified to conform to the 2013 presentation. These reclasses had no impact on previously reported net assets.

Subsequent events: The System has evaluated subsequent events through April 9, 2014, the date on which the financial statements were available to be issued.

New or Recent Accounting Pronouncements: In April 2013, the FASB issued ASU 2013-06 Not-for-Profit Entities (Topic 958) Services Received from Personnel of an Affiliate. The amendments in this Update apply to not-for-profit entities, including not-for-profit, business-oriented health care entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The amendments in this Update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. A recipient not-for-profit entity within the scope of Topic 954, Health Care Entities, that is required to provide a performance indicator (analogous to income from continuing operations of a for-profit entity) should report as an equity transfer the increase in net assets associated with services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity, regardless of whether those services are received from personnel of a not-for-profit affiliate or any other affiliate. All recipient not-for-profit entities should report the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate similar to how other such expenses or assets are reported. The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. Management of the System does not believe that this ASU will materially affect the financial reporting.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Cash Concentrations

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

Note 3. Assets Limited As to Use

The composition of assets limited as to use at December 31, 2013 and 2012 is set forth in the following table. Investments are stated at fair value.

	2013	2012
By Board designation for self-insured malpractice fund, capital improvements, employee benefits and deferred compensation fund:		
Cash, cash equivalents and certificates of deposit	\$ 3,687,775	\$ 3,647,759
Common stocks	2,899,089	2,284,008
Government securities	4,332,129	4,358,581
Mutual funds	2,951,242	2,919,354
	<u>13,870,235</u>	<u>13,209,702</u>
By indenture agreement, held by trustee:		
Cash and cash equivalents	1,584,209	2,207,204
U S Treasury obligations	1,652,889	1,650,898
	<u>3,237,098</u>	<u>3,858,102</u>
By donor:		
Cash and cash equivalents	376,835	325,527
Mutual funds	330,834	271,617
	<u>707,669</u>	<u>597,144</u>
Total assets limited as to use	17,815,002	17,664,948
Less current portion	<u>1,203,558</u>	<u>1,826,966</u>
Non-current portion	<u>\$ 16,611,444</u>	<u>\$ 15,837,982</u>

At December 31, 2013, assets limited as to use had approximately \$3,282,000 invested in two mutual funds, one of which has a value that exceeds 10% of the System's total investments in these mutual funds. 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.

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, 2013 and 2012:

	2013	2012
Interest income and dividends earned	\$ 125,813	\$ 740,393
Realized gains on sales of securities	374,169	265,715
	<u>\$ 499,982</u>	<u>\$ 1,006,108</u>
Other changes in unrestricted net assets		
Net unrealized gains (losses) on other than trading securities	<u>\$ 244,883</u>	<u>\$ 651,717</u>

The System 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

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 4. Property and Equipment and Commitment

A summary of property and equipment at December 31, 2013 and 2012, follows:

	2013	2012
Land	\$ 2,442,849	\$ 2,442,849
Land improvements	2,127,128	2,127,128
Buildings and improvements	48,958,891	48,266,143
Equipment	64,634,181	62,520,363
	<u>118,163,049</u>	<u>115,356,483</u>
Less accumulated depreciation and amortization	83,592,888	77,930,219
	<u>34,570,161</u>	<u>37,426,264</u>
Construction in progress	13,967,874	5,580,831
Property and equipment, net	<u>\$ 48,538,035</u>	<u>\$ 43,077,095</u>

Estimated additional cost to complete construction in progress is approximately \$2.9 million at December 31, 2013. Davis Memorial 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:

	2013	2012
Equipment	\$ 2,524,460	\$ 7,661,655
Less accumulated amortization	<u>1,621,823</u>	<u>1,975,075</u>
	<u>\$ 902,637</u>	<u>\$ 5,686,580</u>

Note 5. Long-Term Obligations

A summary of long-term obligations at December 31, 2013 and 2012, follows:

	2013	2012
Series 1998 Revenue Bonds, principal due in varying annual amounts with interest from 4.2% to 5.2%, terms below	\$ 7,420,000	\$ 8,850,000
Series 1999A Revenue bonds, 5.4%, due in varying annual amounts from November 1, 2014 through November 1, 2022, terms below	4,025,000	4,025,000
Series 1999A Revenue bonds, principal maturing in varying annual amounts, due November 1, 2002 through November 1, 2013 with interest from 4.1% to 5.25%, paid	-	340,000
Series 1999A Revenue bonds, 5.5%, due in varying annual amounts from November 1, 2023 through November 1, 2024, terms below	1,180,000	1,180,000
Note payable, clinic, paid	-	40,080

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2013	2012
Note payable, clinic, 4 49%, due in monthly installments of \$12,529 through July 2016, secured by related equipment	354,763	469,494
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 real estate	9,895,888	2,059,043
Note payable, bank, bearing interest at a variable rate of 3 25% at December 31, 2013, due in monthly installments of \$39,099	3,539,481	3,861,447
Note payable, bank, interest at 4 13%, due in monthly installments of \$2,053, maturing November 2028, secured by property	272,884	285,011
Note payable, bank, interest at 3 53%, payable in monthly installments of \$6,563 through May 2017, secured by related equipment	226,852	310,096
Financing arrangement obligations, at varying interest rates ranging from 0% to 15%, with monthly payment amounts ranging from \$1,031 to \$111,511, maturing at various dates through 2018, secured by related equipment	4,843,817	5,477,346
	31,758,685	26,897,517
Less unamortized discount	26,387	30,751
	31,732,298	26,866,766
Less current maturities	3,993,099	3,329,774
Long-term obligations	<u>\$ 27,739,199</u>	<u>\$ 23,536,992</u>

Revenue Bonds 1999A and 1999B:

Broaddus Hospital Association, Inc has an agreement with the City of Philippi whereby the City issued, on May 1, 1999, City of Philippi Health System Revenue Bonds (Davis Health System-Broaddus Hospital Project) Series 1999A and 1999B (paid off) The purpose of this bond issue was to provide funds to construct and equip a replacement facility for Broaddus Hospital, retire existing indebtedness, and pay certain costs of insurance and related cost

The bonds are secured by a pledge of the gross revenues of Broaddus Hospital Association, Inc , a pledge of the gross revenues of Davis Health System, Inc , whose pledge is on parity with Davis Health System Series 1998 bonds

Under the terms of the Trust Indenture, Broaddus Hospital Association, Inc is required to maintain certain deposits with a trustee Such deposits are included with assets limited as to use in the financial statements The agreement also contains provisions restricting the Hospital's operations, which include, among others, limitations on incurring additional debt The agreement requires that Broaddus Hospital Association, Inc satisfy certain measures of financial performance and to establish depository accounts to accumulate monies to pay bond principal and interest payments and for reserve purposes as long as the notes are outstanding

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The 1998 bond indentures for Davis Memorial Hospital and Broadus Hospital grants an interest in the gross revenues of the Davis Memorial Hospital and Broadus Hospital Association, Inc. as security for payment of the bonds and requires the Hospitals 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 Hospitals charge sufficient rates for services to meet the debt service requirements. The System was in compliance with the covenants and requirements of these debt obligations as of December 31, 2013.

Aggregate maturities of long-term obligations at December 31, 2013, follow

	Financing Arrangement Obligations	Long-term Obligations	Total
2014	\$ 2,142,887	\$ 2,023,342	\$ 4,166,229
2015	1,917,447	2,118,830	4,036,277
2016	698,795	2,139,760	2,838,555
2017	282,963	2,133,676	2,416,639
2018	99,325	2,189,497	2,288,822
Thereafter	-	16,309,763	16,309,763
	<u>5,141,417</u>	<u>26,914,868</u>	<u>32,056,285</u>
Less amount representing interest under financing arrangement obligations	297,600	-	297,600
Less Unamortized discount on bonds	-	26,387	26,387
	<u>\$ 4,843,817</u>	<u>\$ 26,888,481</u>	<u>\$ 31,732,298</u>

Note 6. Estimated Third-Party Payor Settlements and Contingency

Estimated third-party payor settlements consist of amounts due from/to the Medicare and Medicaid programs for settlement of current and prior year cost reports and disproportionate share payments.

These estimated settlements by program are as follows

	2013	2012
Medicare	\$ (454,294)	\$ (528,603)
Medicaid	<u>266,763</u>	<u>318,385</u>
Net intermediary settlements	<u>\$ (187,531)</u>	<u>\$ (210,218)</u>

The State of West Virginia Disproportionate Share Hospital State Plan provides for a settlement process among participating hospitals. The Bureau for Medicaid services has settled the DSH amounts 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 for 2011 through 2013.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Medicaid Provider Tax Disallowance

The Centers for Medicare and Medicaid Services (CMS) has recently directed some local intermediaries to disallow the cost of provider taxes claimed in cost reports. Hospitals claimed the tax assessment as an allowable cost under the applicable regulations and the Provider Reimbursement Manual (PRM) sections. Hospitals have relied upon the fact that CMS approved applicable State Plan Amendments relating to the Provider Tax Assessments. The System has one hospital critical access hospital that paid the provider tax and included it as an allowable expense. The disallowance may be applied retroactively for several years and the impact could be material. A provision of approximately \$600,000 and \$300,000 has been recorded by the System for the potential liability at December 31, 2013 and 2012, respectively. Management and various associations representing affected hospitals plan to appeal the disallowance. The ultimate outcome of the issue is unknown at this time.

Note 7. Net Patient Service Revenue and Cost of Charity Care

The System, through the Hospitals, has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. A summary of the payment arrangements with major third-party payors follows:

- **Medicare – Davis Memorial Hospital**

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, including regional wage variations. 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.

- **Medicare – Broaddus Hospital Association, Inc.**

Inpatient acute care services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are paid based on fee schedules. 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 review thereof by the Medicare fiscal intermediary. The appropriateness of the admission of Medicare program beneficiaries is subject to an independent review by a peer review organization.

- **Medicaid – Davis Memorial Hospital**

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.

- **Medicaid – Broaddus Hospital Association, Inc.**

Inpatient and most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and review thereof by the Medicaid fiscal intermediary. Other outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- **Commercial Insurance Carriers**

The Hospitals also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospitals 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. Broadus Hospital Association is exempt from rate regulation as a Critical Access Hospital.

Charity Care

The Hospitals provide charity care to patients who are financially unable to pay for the health care services they receive. The Hospitals' 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 Guideline. Accordingly, the Hospitals do not report these amounts in the net revenues or in the allowance for doubtful accounts. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospitals' total expenses divided by gross patient service revenue. The costs of caring for charity care patient for the years ended December 31, 2013 and 2012 were approximately \$3,584,000 and \$2,977,000, respectively.

The Hospitals maintain 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.

	2013	2012
Charges forgone, based on established rates	<u>\$ 8,302,981</u>	<u>\$ 7,280,710</u>

A summary of gross and net patient service revenue for all payors for the years ended December 31, 2013 and 2012, follows:

	2013	2012
Gross patient service revenue	\$ 215,251,145	\$ 211,654,477
Supplemental Medicaid funding	2,521,227	3,904,964
Less provision for		
Contractual adjustments	104,451,473	100,718,761
Charity care	8,302,981	7,280,710
Provision for bad debts	<u>11,340,271</u>	<u>10,691,190</u>
Net patient service revenue	<u>\$ 93,677,647</u>	<u>\$ 96,868,780</u>

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 through 2014.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The supplemental payment methodology 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 decreased to 0.45% for state fiscal year 2014. The tax provisions expire on July 1, 2014 and are being implemented retroactively to July 1, 2011. Amounts charged to expense for the additional tax imposed amounted to approximately \$297,000 and \$612,000 for the years ended December 31, 2013 and 2012, respectively. This additional expense is included within supplies and other expense in the accompanying statements of operations. The System recorded revenue totaling approximately \$2,521,000 and \$3,905,000 for the supplemental Medicaid payments for the years ended December 31, 2013 and 2012, respectively, which is recorded as an increase to net patient service revenue. Of this amount, approximately \$586,000 and \$650,000, respectively, had not been received as of December 31, 2013 and 2012 and therefore is included within prepaid expenses and other current assets in the accompanying balance sheets.

The System 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 System 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 System's uninsured patients will be unable or unwilling to pay for the services provided. Thus the System 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, 2013 and 2012 from these major payor sources, is as follows:

2013	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 94,296,415	\$ 10,721,503	\$105,017,918
2012	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 100,910,038	\$ 6,649,932	\$107,559,970

The Hospitals qualify as disproportionate share hospitals for Medicaid. As a result of qualifying for this designation, the Hospitals are entitled to supplemental Medicaid payments. Included in net patient service revenues for 2013 and 2012, are Medicaid disproportionate share revenues of approximately \$949,000 and \$1,210,000, respectively. In addition, the Hospitals received Medicaid Enhanced payments of approximately \$1.4 million in 2013 and 2012. These amounts are recorded as a reduction of contractual adjustments.

As disclosed in Note 6 to the accompanying financial statements, the System has recorded assets and liabilities for cost report settlement amounts with Medicare and Medicaid. The 2013 and 2012 net patient service revenue increased (decreased) by approximately \$201,000 and \$(151,000), respectively, as a result of settlements at amounts different than originally estimated.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Pension and Postretirement Plans**Defined Benefit Plan**

Davis Memorial Hospital had a defined benefit pension plan covering substantially all its employees. The plan benefits were based on years of credited service and the employees' compensation level. The Hospital's policy was 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 \$65,678 and \$2,587,533 and benefits paid of \$0 and \$58,708 for the years ended December 31, 2013 and 2012, respectively. Post-retirement employer contributions were \$145,281 and \$179,832 for the years ending December 31, 2013 and 2012, respectively.

The Board of Trustees of Davis Memorial Hospital 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 \$103,756 and \$12,528,148 for the years ended December 31, 2013 and 2012, respectively, 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 post retirement benefit plans.

Obligation and funded status:

	Pension Benefits		Post Retirement Benefits	
	2013	2012	2013	2012
Fair value of plan assets	\$ -	\$ 42,012	\$ -	\$ -
Projected benefit obligations	-	(76,459)	(1,261,425)	(1,433,475)
Funded status and total accrued cost	\$ -	\$ (34,447)	\$ (1,261,425)	\$ (1,433,475)
	Pension Benefits		Post Retirement Benefits	
	2013	2012	2013	2012
Current liabilities	\$ -	\$ -	\$ (143,108)	\$ (168,251)
Noncurrent liabilities	-	(34,447)	(1,118,317)	(1,265,224)
	\$ -	\$ (34,447)	\$ (1,261,425)	\$ (1,433,475)

The accumulated benefit obligation for the defined benefit pension plan was \$0 and \$76,459 at December 31, 2013 and 2012, 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	
	2013	2012	2013	2012
Unrecognized actuarial loss	\$ -	\$ (32,726)	\$ (333,692)	\$ (418,360)
	\$ -	\$ (32,726)	\$ (333,692)	\$ (418,360)

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of Plan Settlement - 2012	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)

Net periodic benefit cost and other amounts recognized in other changes in net assets:

	Pension Benefits		Post Retirement Benefits	
	2013	2012	2013	2012
Net periodic benefit cost	\$ (218)	\$ 365,989	\$ 57,899	\$ 71,196
Amount of settlement loss recognized	64,175	5,332,174	-	-
Total pension cost	63,957	5,698,163	57,899	71,196
Other changes in net assets not yet recognized in expense	-	5,708,342	-	\$ -
Total recognized in net periodic benefit cost and other changes in net assets	\$ 63,957	\$ 10,179	\$ 57,899	\$ 71,196

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 \$0 and \$1,003, at December 31, 2013 and 2012, respectively

Additional Information – Assumptions

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

	Pension Benefits		Post Retirement Benefits	
	2013	2012	2013	2012
Discount rate	4.50%	4 50%	4.00%	3 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	
	2013	2012	2013	2012
Discount rate	5.25%	4 50%	4.00%	3 35%
Expected long-term rate of return on assets	N/A	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 plans assets

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan Assets

The composition of plan assets at December 31, 2013 and 2012 consists of cash and cash equivalents

The following table sets forth by level with the fair value hierarchy, pension plan assets at their fair value as of December 31, 2013 and 2012

	Total at December 31, 2013	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	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	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	<u>\$ 42,012</u>	<u>\$ 42,012</u>	<u>\$ -</u>	<u>\$ -</u>

Cash Flows – Contributions

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

	Pension Benefits	Post Retirement Benefits
2014	\$ -	\$ 143,108
2015	\$ -	\$ 164,395
2016	\$ -	\$ 138,198
2017	\$ -	\$ 119,788
2018	\$ -	\$ 94,063
Thereafter	\$ -	\$ 351,378

401(k) Plan

Davis Memorial 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 \$(27,000) and \$(507,000) for 2013 and 2012, respectively.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plan – Broadus Hospital Association, Inc.

The Hospital has a noncontributory defined contribution plan that, effective January 1, 2009, was merged into the Davis Memorial Hospital 401(k) Profit Sharing Plan and the assets were subsequently transferred to that Plan

Effective January 1, 2009, the Hospital instituted 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 \$36,000 and \$87,000 for 2013 and 2012, respectively, of which approximately \$11,000 and \$90,000 was accrued and included in accrued retirement plan contribution in the balance sheet as of December 31, 2013 and 2012, respectively.

Note 9. Medical Malpractice Insurance, Contingency and Commitment

The System has 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 the System, to fully cover medical malpractice claims. Consequently, the System is 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 give 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. The coverage limits are \$2,000,000 for each occurrence and \$2,000,000 in the aggregate. The System also has reinsurance with \$3,000,000 limits.

Accrued malpractice costs were \$4,158,903 and \$4,284,066 at December 31, 2013 and 2012, respectively. Total provision for self-insured medical malpractice claims charged to expense for the years ended December 31, 2013 and 2012, was approximately \$727,000 and \$158,000, respectively.

Accrued unpaid claims and expenses that were expected to be paid during the normal operating cycle (generally within one year of the date of the financial statements) were classified as current liabilities as of December 31, 2013 and 2012. All other accrued unpaid claims and expenses were classified as noncurrent liabilities.

The System maintained a medical malpractice reserve fund, which was included in assets limited as to use. At December 31, 2013 and 2012, the fund had a balance of approximately \$6,006,000 and \$6,224,300, respectively.

Note 10. Advertising Expense

The System's policy is to expense advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2013 and 2012, was approximately \$489,000 and \$652,000, respectively.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Functional Expenses

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

	2013	2012
Health care services	\$ 98,273,057	\$ 97,923,676
General and administrative	16,780,530	13,353,229
Total	<u>\$ 115,053,587</u>	<u>\$ 111,276,905</u>

Note 12. Concentrations of Credit Risk

The healthcare affiliates are located in Elkins and Philippi, West Virginia. They grant credit without collateral to their patients, many of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from the third-party payors and patients is as follows:

	2013	2012
Medicare	25%	29%
Medicaid	11%	14%
Other third-party payors	41%	42%
Private pay	23%	15%
	<u>100%</u>	<u>100%</u>

Note 13. Health Insurance Plan

The System 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 the affiliated hospitals are expensed and recorded as an employee benefit expense. To protect itself against extraordinary claims of its employees, the System has purchased stop-loss insurance. Davis Memorial Hospital's cost is limited to \$125,000 per covered person life. Broadus Hospital's cost is limited to \$40,000 per covered person per policy period, with a maximum lifetime benefit of \$1,000,000 per covered person. Amounts payable under this plan at December 31, 2013 and 2012, for actual claims and claims incurred but not reported was approximately \$1,055,000 and \$855,000, respectively.

Total expense for health insurance for Davis Health System, Inc. and affiliates for the years ended December 31, 2013 and 2012 was approximately \$7,585,000 and \$5,920,000, respectively.

HRA Plan

Davis Memorial 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 \$743,000 and \$719,000 for the years ended December 31, 2013 and 2012, respectively.

Note 14. Lease Arrangements and Rental Expense

The System affiliates lease real property and equipment under cancelable operating lease agreements expiring at various dates through December 2013. Total rental expense for all operating leases was approximately \$791,000 and \$706,000 for the years ended December 31, 2013 and 2012, respectively.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 15. 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 healthcare affiliates are in compliance with fraud and abuse as well as other applicable government laws and regulations. If these affiliates are found in violation of these laws, the affiliates could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

Note 16. Derivative Financial Instruments, Unearned Revenue and Contingency

Davis Memorial 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 goals in this transaction were to obtain ready cash, and to protect itself against potentially unfavorable fluctuations in interest rates. The forward contract entails market risk for the Hospital since the Hospital will be unable to benefit from the 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, 2013 and 2012 of \$339,644 and \$373,059, respectively, is shown on the balance sheet as deferred income. 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 17. 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.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 tables below present the recorded amount of assets measured at fair value on a recurring basis.

	Total at December 31, 2013	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 5,467,498	\$ 5,467,498	\$ -	\$ -
Mutual Funds				
Bond Fund	3,282,076	3,282,076	-	-
U.S. Treasury Obligations	1,652,889	1,652,889	-	-
Federal Agency Securities	4,332,129	4,332,129	-	-
Common Stock	2,899,089	2,899,089	-	-
Certificates of Deposit	181,321	-	181,321	-
Total investments and assets limited as to use	\$ 17,815,002	\$ 17,633,681	\$ 181,321	\$ -

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total at December 31, 2012	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 6,062,794	\$ 6,062,794	\$ -	\$ -
Mutual Funds				
Balanced Fund	271,617	271,617	-	-
Bond Fund	2,919,354	2,919,354	-	-
U.S. Treasury Obligations	1,650,898	1,650,898	-	-
Federal Agency Securities	4,358,581	4,358,581	-	-
Common Stock	2,284,008	2,284,008	-	-
Certificates of Deposit	117,696	-	117,696	-
Total investments and assets limited as to use	<u>\$ 17,664,948</u>	<u>\$ 17,547,252</u>	<u>\$ 117,696</u>	<u>\$ -</u>

Assets Recorded at Fair Value on a Nonrecurring Basis

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

Note 18. 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 Hospitals intend 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 Hospitals' 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 System 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 System 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, 2013 and 2012, the System recognized approximately \$2,259,000 and \$0, respectively, in revenues related to Medicare and Medicaid EHR incentive payments.

Note 19. Contract Settlement

On December 13, 2013, the System entered into an amendment and settlement agreement with a health care service company in the amount of \$2.1 million. The settlement is included in Other Income (Losses) in the accompanying Consolidated Statement of Operations for the year ended December 31, 2013.

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATING BALANCE SHEET

December 31, 2013

	Davis Memorial Hospital	Health Facilities, Inc	Eliminations and Adjustments	Consolidated Davis Memorial Hospital
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,021,562	\$ 244,959	\$ -	\$ 1,266,521
Patient accounts receivable, net	11,164,052	1,169,131	-	12,333,183
Supplies inventory	1,658,767	680,432	-	2,339,199
Pledges receivable, net	-	-	-	-
Assets limited as to use	985,547	-	-	985,547
Prepaid expenses and other current assets	861,919	555,563	-	1,417,482
Total current assets	15,691,847	2,650,085	-	18,341,932
Assets Limited As to Use, net of current portion	10,069,924	-	-	10,069,924
Property and Equipment, net	36,161,516	7,990,447	-	44,151,963
Covenant not to compete, net	-	-	-	-
Other Assets				
Due from affiliates	11,096,963	1,262,550	(8,033,310)	4,326,203
Investment in subsidiary	3,209,023	-	(3,209,023)	-
Deferred bond issuance costs, net	126,349	-	-	126,349
Other assets	110,984	-	-	110,984
Pledges receivable	-	-	-	-
Other receivables	796,996	-	-	796,996
Total other assets	15,340,315	1,262,550	(11,242,333)	5,360,532
Total assets	\$ 77,263,602	\$ 11,903,082	\$ (11,242,333)	\$ 77,924,351
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current maturities of long-term obligations	\$ 3,267,435	\$ 13,574	\$ -	\$ 3,281,009
Notes payable – affiliate	-	1,542,432	(1,542,432)	-
Accounts payable	6,382,641	473,201	-	6,855,842
Employee compensation and payroll taxes	4,884,641	171,577	-	5,056,218
Other accrued expenses	108,630	-	-	108,630
Accrued malpractice costs	-	-	-	-
Post retirement benefit obligation	143,108	-	-	143,108
Accrued pension benefit cost	-	-	-	-
Estimated third-party payor settlements	(90,343)	-	-	(90,343)
Due to (from) affiliates	270,239	6,233,965	(6,490,878)	13,326
Total current liabilities	14,966,351	8,434,749	(8,033,310)	15,367,790
Long-Term Obligations, net of current maturities	22,223,154	259,310	-	22,482,464
Other Liabilities				
Post retirement benefit obligation, net of current portion	1,118,317	-	-	1,118,317
Deferred investment income	339,644	-	-	339,644
Accrued malpractice costs, net of current portion	-	-	-	-
Total other liabilities	1,457,961	-	-	1,457,961
Total liabilities	38,647,466	8,694,059	(8,033,310)	39,308,215
Net Assets (Deficit)				
Unrestricted	38,616,136	-	-	38,616,136
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
Common stock	-	10,000	(10,000)	-
Paid in capital	-	2,288,723	(2,288,723)	-
Retained earnings (deficit), unrestricted	-	910,300	(910,300)	-
Total net assets	38,616,136	3,209,023	(3,209,023)	38,616,136
Total liabilities and net assets	\$ 77,263,602	\$ 11,903,082	\$ (11,242,333)	\$ 77,924,351

Davis Health System, Inc	Broadus Hospital Association Inc	Central WV Medcorp, Inc	Provider's Re Segregated Portfolio No 5	Davis Health System Foundation Inc	Eliminations and Adjustments	Consolidated Davis Health System, Inc
\$ 74,507	\$ 1,550,125	\$ 126,111	\$ 854,314	\$ 87,382	\$ -	\$ 3,958,960
-	1,919,684	428,132	-	-	-	14,680,999
-	276,076	-	-	-	-	2,615,275
-	-	-	-	71,862	-	71,862
-	218,011	-	-	-	-	1,203,558
1,043	69,837	58,495	1,451,460	114	(898)	2,997,533
75,550	4,033,733	612,738	2,305,774	159,358	(898)	25,528,187
-	1,068,912	-	5,151,777	320,831	-	16,611,444
-	4,387,539	-	-	(1,467)	-	48,538,035
-	-	-	-	-	-	-
1,657,613	20,030	(28,827)	-	348,608	(6,323,627)	-
3,923,352	-	-	-	-	(3,923,352)	-
-	24,743	-	-	-	-	151,092
-	352,950	-	-	-	-	463,934
-	-	-	-	77,889	-	77,889
-	73,426	124,174	-	-	-	994,596
5,580,965	471,149	95,347	-	426,497	(10,246,979)	1,687,511
\$ 5,656,515	\$ 9,961,333	\$ 708,085	\$ 7,457,551	\$ 905,219	\$ (10,247,877)	\$ 92,365,177
\$ 143,530	\$ 568,560	\$ -	\$ -	\$ -	\$ -	\$ 3,993,099
-	-	-	-	-	-	-
28,231	286,336	194,864	21,000	2,382	-	7,388,655
-	450,339	70,941	-	-	-	5,577,498
-	75,143	-	71,667	-	-	255,440
350,000	-	-	-	-	-	350,000
-	-	-	-	-	-	143,108
-	-	-	-	-	-	-
-	277,874	-	-	-	-	187,531
1,087,993	748,036	4,471,433	-	3,737	(6,324,525)	-
1,609,754	2,406,288	4,737,238	92,667	6,119	(6,324,525)	17,895,331
-	5,256,735	-	-	-	-	27,739,199
-	-	-	-	-	-	1,118,317
-	-	-	-	-	-	339,644
367,371	-	-	3,441,532	-	-	3,808,903
367,371	-	-	3,441,532	-	-	5,266,864
1,977,125	7,663,023	4,737,238	3,534,199	6,119	(6,324,525)	50,901,394
3,679,390	1,951,665	(4,029,153)	-	155,943	-	40,373,981
-	346,645	-	-	743,157	-	1,089,802
-	-	-	-	-	-	-
-	-	-	1,000	-	(1,000)	-
-	-	-	2,021,168	-	(2,021,168)	-
-	-	-	1,901,184	-	(1,901,184)	-
3,679,390	2,298,310	(4,029,153)	3,923,352	899,100	(3,923,352)	41,463,783
\$ 5,656,515	\$ 9,961,333	\$ 708,085	\$ 7,457,551	\$ 905,219	\$ (10,247,877)	\$ 92,365,177

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2013

	Davis Memorial Hospital	Health Facilities, Inc	Eliminations and Adjustments	Consolidated Davis Memorial Hospital
Unrestricted revenues, gains and other support				
Net patient service revenue	\$ 73,326,515	\$ -	\$ -	\$ 73,326,515
Rental revenue	-	3,207,448	-	3,207,448
Pharmacy revenue	-	4,543,442	-	4,543,442
Premium revenue	-	-	-	-
Other revenue	1,451,027	3,235,729	(188,001)	4,498,755
Electronic health record incentive reimbursement	1,918,427	-	-	1,918,427
Total revenues, gains and other support	<u>76,695,969</u>	<u>10,986,619</u>	<u>(188,001)</u>	<u>87,494,587</u>
Operating expenses				
Salaries and wages	34,073,723	3,182,551	-	37,256,274
Payroll taxes and benefits	9,736,901	976,547	-	10,713,448
Professional fees and contracted services	7,052,192	193,874	-	7,246,066
Supplies and other expenses	20,605,461	5,832,964	(188,001)	26,250,424
Insurance	963,879	76,657	-	1,040,536
Repairs and maintenance	1,899,316	62,714	-	1,962,030
Interest	796,259	72,148	(59,634)	808,773
Depreciation and amortization	5,098,480	637,882	-	5,736,362
Total expenses	<u>80,226,211</u>	<u>11,035,337</u>	<u>(247,635)</u>	<u>91,013,913</u>
Operating income (loss)	<u>(3,530,242)</u>	<u>(48,718)</u>	<u>59,634</u>	<u>(3,519,326)</u>
Other income (losses)				
Investment income	595,309	-	(59,634)	535,675
Income (loss) of subsidiary	(48,718)	-	48,718	-
Gain (loss) on disposal of assets	(9,287)	-	-	(9,287)
Contributions	-	-	-	-
Contract settlement	2,100,000	-	-	2,100,000
Total other income (losses)	<u>2,637,304</u>	<u>-</u>	<u>(10,916)</u>	<u>2,626,388</u>
Excess (deficiency) of revenues over expenses	<u>(892,938)</u>	<u>(48,718)</u>	<u>48,718</u>	<u>(892,938)</u>
Transfers to affiliates	(1,769,695)	-	-	(1,769,695)
Transfers from affiliates	-	-	-	-
Changes in net unrealized gains and losses on other than trading securities	98,181	-	-	98,181
Reclass of donor restrictions	-	-	-	-
Net assets released from restriction	-	-	-	-
Increase (decrease) in unrestricted net assets	<u>\$ (2,564,452)</u>	<u>\$ (48,718)</u>	<u>\$ 48,718</u>	<u>\$ (2,564,452)</u>

Davis Health System, Inc	Broadus Hospital Association Inc	Central WV Medcorp, Inc	Provider's Re Segregated Portfolio No 5	Davis Health System Foundation Inc	Eliminations and Adjustments	Consolidated Davis Health System, Inc
\$ -	\$ 14,910,295	\$ 5,440,837	\$ -	\$ -	\$ -	\$ 93,677,647
-	-	-	-	-	-	3,207,448
-	-	-	-	-	-	4,543,442
-	-	-	100,000	-	(100,000)	-
866,901	307,638	35,667	-	-	(1,177,527)	4,531,434
-	340,900	-	-	-	-	2,259,327
866,901	15,558,833	5,476,504	100,000	-	(1,277,527)	108,219,298
-	6,514,231	4,717,239	-	40,382	-	48,528,126
-	2,152,969	988,934	-	-	-	13,855,351
14,900	3,131,143	154,466	-	26,113	(780,542)	9,792,146
866,632	2,522,218	2,293,336	70,145	130,432	(396,985)	31,736,202
-	61,748	359,726	31,556	-	(100,000)	1,393,566
-	237,815	12,323	-	-	-	2,212,168
-	338,032	-	-	-	-	1,146,805
-	526,546	107,249	-	19,066	-	6,389,223
881,532	15,484,702	8,633,273	101,701	215,993	(1,277,527)	115,053,587
(14,631)	74,131	(3,156,769)	(1,701)	(215,993)	-	(6,834,289)
-	17,505	-	140,398	-	(193,596)	499,982
(12,695)	-	-	-	-	12,695	-
-	-	-	-	-	-	(9,287)
-	18,045	-	-	66,323	-	84,368
-	-	-	-	-	-	2,100,000
(12,695)	35,550	-	140,398	66,323	(180,901)	2,675,063
(27,326)	109,681	(3,156,769)	138,697	(149,670)	(180,901)	(4,159,226)
(885,578)	-	-	-	-	2,655,273	-
1,570,097	-	984,598	-	100,578	(2,655,273)	-
44,586	59,912	-	42,204	-	-	244,883
-	-	-	-	-	-	-
-	-	-	-	76,433	-	76,433
\$ 701,779	\$ 169,593	\$ (2,172,171)	\$ 180,901	\$ 27,341	\$ (180,901)	\$ (3,837,910)

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATING BALANCE SHEET

December 31, 2012

	Davis Memorial Hospital	Health Facilities, Inc	Eliminations and Adjustments	Consolidated Davis Memorial Hospital
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,117,895	\$ 435,945	\$ -	\$ 1,553,840
Patient accounts receivable, net	14,658,712	878,273	-	15,536,985
Supplies inventory	1,822,453	556,718	-	2,379,171
Pledges receivable, net	-	-	-	-
Assets limited as to use	1,653,440	-	-	1,653,440
Estimated third-party payor settlements	-	-	-	-
Prepaid expenses and other current assets	1,221,833	518,335	-	1,740,168
Total current assets	20,474,333	2,389,271	-	22,863,604
Assets Limited As to Use, net of current portion	9,438,576	-	-	9,438,576
Property and Equipment, net	30,096,322	7,815,047	-	37,911,369
Covenant not to compete, net	-	-	-	-
Other Assets				
Due from affiliates	9,134,963	589,231	(6,545,370)	3,178,824
Investment in subsidiary	3,257,741	-	(3,257,741)	-
Deferred bond issuance costs, net	154,188	-	-	154,188
Other assets	110,984	-	-	110,984
Pledges receivable	-	-	-	-
Other receivables	835,354	-	-	835,354
Total other assets	13,493,230	589,231	(9,803,111)	4,279,350
Total assets	\$ 73,502,461	\$ 10,793,549	\$ (9,803,111)	\$ 74,492,899
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current maturities of long-term obligations	\$ 2,743,708	\$ 13,025	\$ -	\$ 2,756,733
Notes payable – affiliate	-	1,542,432	(1,542,432)	-
Accounts payable	4,684,595	557,482	-	5,242,077
Employee compensation and payroll taxes	5,004,167	135,480	-	5,139,647
Other accrued expenses	114,357	-	-	114,357
Accrued malpractice costs	-	-	-	-
Post retirement benefit obligation	168,251	-	-	168,251
Accrued pension benefit cost	300,326	-	-	300,326
Estimated third-party payor settlements	37,216	-	-	37,216
Due to (from) affiliates	92,395	5,015,403	(5,002,938)	104,860
Total current liabilities	13,145,015	7,263,822	(6,545,370)	13,863,467
Long-Term Obligations, net of current maturities	17,504,128	271,986	-	17,776,114
Other Liabilities				
Accrued pension benefit cost, net of current portion	34,447	-	-	34,447
Post retirement benefit obligation, net of current portion	1,265,224	-	-	1,265,224
Deferred compensation payable	-	-	-	-
Deferred investment income	373,059	-	-	373,059
Accrued malpractice costs, net of current portion	-	-	-	-
Total other liabilities	1,672,730	-	-	1,672,730
Total liabilities	32,321,873	7,535,808	(6,545,370)	33,312,311
Net Assets (Deficit)				
Unrestricted	41,180,588	-	-	41,180,588
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
Common stock	-	10,000	(10,000)	-
Paid in capital	-	2,288,723	(2,288,723)	-
Retained earnings (deficit), unrestricted	-	959,018	(959,018)	-
Total net assets	41,180,588	3,257,741	(3,257,741)	41,180,588
Total liabilities and net assets	\$ 73,502,461	\$ 10,793,549	\$ (9,803,111)	\$ 74,492,899

Davis Health System, Inc	Broadbudd Hospital Association Inc	Central WV Medcorp, Inc	Provider's Re Segregated Portfolio No 5	Davis Health System Foundation Inc	Eliminations and Adjustments	Consolidated Davis Health System, Inc
\$ 95,374	\$ 1,455,749	\$ (11,155)	\$ 1,104,116	\$ 74,599	\$ -	\$ 4,272,523
-	2,256,421	557,034	-	-	-	18,350,440
-	215,142	-	-	-	-	2,594,313
-	-	-	-	76,281	-	76,281
-	173,526	-	-	-	-	1,826,966
-	-	-	-	-	-	-
1,322	74,188	22,167	1,326,504	109	-	3,164,458
96,696	4,175,026	568,046	2,430,620	150,989	-	30,284,981
-	1,009,679	-	5,120,204	269,523	-	15,837,982
-	4,748,153	-	-	347,573	-	43,007,095
-	24,533	-	-	-	-	24,533
1,195,661	25,927	61,868	-	6,772	(4,469,052)	-
3,742,451	-	-	-	-	(3,742,451)	-
-	28,835	-	-	-	-	183,023
-	289,937	-	-	-	-	400,921
-	-	-	-	159,916	-	159,916
-	39,099	145,822	-	-	-	1,020,275
4,938,112	408,331	207,690	-	166,688	(8,211,503)	1,788,668
\$ 5,034,808	\$ 10,341,189	\$ 775,736	\$ 7,550,824	\$ 934,773	\$ (8,211,503)	\$ 90,918,726
\$ -	\$ 573,041	\$ -	\$ -	\$ -	\$ -	\$ 3,329,774
-	-	-	-	-	-	-
62,357	421,996	164,707	21,000	45,817	-	5,957,954
-	513,503	284,899	-	-	-	5,938,049
-	76,487	-	71,667	-	-	262,511
350,000	-	-	-	-	-	350,000
-	-	-	-	-	-	168,251
-	-	-	-	-	-	300,326
-	173,002	-	-	-	-	210,218
1,426,480	748,844	2,183,112	-	5,756	(4,469,052)	-
1,838,837	2,506,873	2,632,718	92,667	51,573	(4,469,052)	16,517,083
-	5,760,878	-	-	-	-	23,536,992
-	-	-	-	-	-	34,447
-	-	-	-	-	-	1,265,224
-	-	-	-	-	-	-
-	-	-	-	-	-	373,059
218,360	-	-	3,715,706	-	-	3,934,066
218,360	-	-	3,715,706	-	-	5,606,796
2,057,197	8,267,751	2,632,718	3,808,373	51,573	(4,469,052)	45,660,871
2,977,611	1,782,072	(1,856,982)	-	128,602	-	44,211,891
-	291,366	-	-	754,598	-	1,045,964
-	-	-	-	-	-	-
-	-	-	1,000	-	(1,000)	-
-	-	-	2,021,168	-	(2,021,168)	-
-	-	-	1,720,283	-	(1,720,283)	-
2,977,611	2,073,438	(1,856,982)	3,742,451	883,200	(3,742,451)	45,257,855
\$ 5,034,808	\$ 10,341,189	\$ 775,736	\$ 7,550,824	\$ 934,773	\$ (8,211,503)	\$ 90,918,726

DAVIS HEALTH SYSTEM, INC., SUBSIDIARY AND AFFILIATES

CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2012

	Davis Memorial Hospital	Health Facilities, Inc	Eliminations and Adjustments	Consolidated Davis Memorial Hospital
Unrestricted revenues, gains and other support				
Net patient service revenue	\$ 75,992,457	\$ -	\$ -	\$ 75,992,457
Rental revenue	-	3,131,009	-	3,131,009
Pharmacy revenue	-	4,119,079	-	4,119,079
Premium revenue	-	-	-	-
Other revenue	1,870,660	2,884,086	(194,949)	4,559,797
Total revenues, gains and other support	<u>77,863,117</u>	<u>10,134,174</u>	<u>(194,949)</u>	<u>87,802,342</u>
Operating expenses				
Salaries and wages	32,889,017	2,959,292	-	35,848,309
Payroll taxes and benefits	8,094,820	928,002	-	9,022,822
Professional fees and contracted services	6,287,288	179,492	-	6,466,780
Supplies and other expenses	20,837,348	5,763,129	(194,949)	26,405,528
Insurance	749,803	-	-	749,803
Repairs and maintenance	2,060,347	76,872	-	2,137,219
Interest	817,319	72,742	(59,634)	830,427
Depreciation and amortization	4,621,891	663,731	-	5,285,622
Total expenses	<u>76,357,833</u>	<u>10,643,260</u>	<u>(254,583)</u>	<u>86,746,510</u>
Operating income (loss)	<u>1,505,284</u>	<u>(509,086)</u>	<u>59,634</u>	<u>1,055,832</u>
Other income (losses)				
Investment income	572,718	-	(59,634)	513,084
Income (loss) of subsidiary	(509,086)	-	509,086	-
Gain (loss) on disposal of assets	(16,518)	-	-	(16,518)
Contributions	48,410	-	-	48,410
Total other income (losses)	<u>95,524</u>	<u>-</u>	<u>449,452</u>	<u>544,976</u>
Excess (deficiency) of revenues over expenses	<u>1,600,808</u>	<u>(509,086)</u>	<u>509,086</u>	<u>1,600,808</u>
Transfers to affiliates	(3,409,221)	-	-	(3,409,221)
Transfers from affiliates	-	-	-	-
Pension related changes other than net periodic pension costs	376,168	-	-	376,168
Changes in net unrealized gains and losses on other than trading securities	335,559	-	-	335,559
Reclass of donor restrictions	-	-	-	-
Net assets released from restriction	-	-	-	-
Increase (decrease) in unrestricted net assets	<u>\$ (1,096,686)</u>	<u>\$ (509,086)</u>	<u>\$ 509,086</u>	<u>\$ (1,096,686)</u>

Davis Health System, Inc	Broadus Hospital Association Inc	Central WV Medcorp, Inc	Provider's Re Segregated Portfolio No 5	Davis Health System Foundation Inc	Eliminations and Adjustments	Consolidated Davis Health System, Inc
\$ -	\$ 14,483,979	\$ 6,392,344	\$ -	\$ -	\$ -	\$ 96,868,780
-	-	-	-	-	-	3,131,009
-	-	-	-	-	-	4,119,079
-	-	-	100,000	-	(100,000)	-
963,281	340,894	124,662	-	-	(1,263,806)	4,724,828
963,281	14,824,873	6,517,006	100,000	-	(1,363,806)	108,843,696
-	6,318,069	5,735,081	-	37,681	-	47,939,140
-	1,935,724	1,490,394	-	-	-	12,448,940
20,010	2,950,561	177,922	-	21,205	(874,050)	8,762,428
957,999	2,519,295	2,557,943	71,979	62,448	(389,756)	32,185,436
-	59,017	361,722	(519,131)	-	(100,000)	551,411
-	159,884	17,407	-	-	-	2,314,510
-	348,572	-	-	-	-	1,178,999
-	526,966	77,714	-	5,739	-	5,896,041
978,009	14,818,088	10,418,183	(447,152)	127,073	(1,363,806)	111,276,905
(14,728)	6,785	(3,901,177)	547,152	(127,073)	-	(2,433,209)
-	18,729	-	134,191	-	340,104	1,006,108
1,312,380	-	-	-	-	(1,312,380)	-
-	-	-	-	-	-	(16,518)
-	19,229	-	-	39,814	-	107,453
1,312,380	37,958	-	134,191	39,814	(972,276)	1,097,043
1,297,652	44,743	(3,901,177)	681,343	(87,259)	(972,276)	(1,336,166)
(1,455,000)	-	-	-	-	4,864,221	-
1,848,028	-	2,906,193	-	110,000	(4,864,221)	-
-	-	-	-	-	-	-
-	25,225	-	290,933	-	-	376,168
-	-	-	-	-	-	651,717
-	24,000	-	-	-	-	-
-	-	-	-	-	-	24,000
\$ 1,690,680	\$ 93,968	\$ (994,984)	\$ 972,276	\$ 22,741	\$ (972,276)	\$ (284,281)