

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>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization LEO N LEVI MEMORIAL HOSPITAL ASSOCIATION Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite 300 PROSPECT AVENUE City or town, state or province, country, and ZIP or foreign postal code HOT SPRINGS, AR 71901	<b>D</b> Employer identification number 71-0246565 <b>E</b> Telephone number (501) 624-1281 <b>G</b> Gross receipts \$ 7,142,747
<b>F</b> Name and address of principal officer		<b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "No," attach a list (see instructions) <b>H(c)</b> Group exemption number
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
<b>J</b> Website: WWW.LEVIHOSPITAL.COM		
<b>K</b> Form of organization <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input checked="" type="checkbox"/> Association <input type="checkbox"/> Other		<b>L</b> Year of formation 1989 <b>M</b> State of legal domicile AR

**Part I Summary**

<b>1</b>	Briefly describe the organization's mission or most significant activities LEVI HOSPITAL SYSTEM IS A NOT-FOR-PROFIT HOSPITAL WHICH SPECIALIZES IN ARTHRITIS & ORTHOPEDIC REHABILITATION & PSYCHIATRIC SERVICES. THE HOSPITAL IS LOCATED IN HOT SPRINGS, AR AND PROVIDES SERVICES TO THE CITIZENS OF HOT SPRINGS AND THE SURROUNDING AREAS.			
<b>2</b>	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
<b>3</b>	Number of voting members of the governing body (Part VI, line 1a)	<b>3</b>		15
<b>4</b>	Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>		15
<b>5</b>	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	<b>5</b>		185
<b>6</b>	Total number of volunteers (estimate if necessary)	<b>6</b>		
<b>7a</b>	Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>		0
<b>7b</b>	Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>		
		<b>Prior Year</b>		<b>Current Year</b>
<b>8</b>	Contributions and grants (Part VIII, line 1h)		131,621	205,484
<b>9</b>	Program service revenue (Part VIII, line 2g)		7,253,908	5,254,490
<b>10</b>	Investment income (Part VIII, column (A), lines 3, 4, and 7d)		155,774	315,726
<b>11</b>	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		1,197,229	1,167,047
<b>12</b>	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		8,738,532	6,942,747
<b>13</b>	Grants and similar amounts paid (Part IX, column (A), lines 1–3)			0
<b>14</b>	Benefits paid to or for members (Part IX, column (A), line 4)			0
<b>15</b>	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		5,386,261	4,915,839
<b>16a</b>	Professional fundraising fees (Part IX, column (A), line 11e)			0
<b>b</b>	Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0			
<b>17</b>	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		3,498,287	2,682,151
<b>18</b>	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)		8,884,548	7,597,990
<b>19</b>	Revenue less expenses Subtract line 18 from line 12		-146,016	-655,243
		<b>Beginning of Current Year</b>		<b>End of Year</b>
<b>20</b>	Total assets (Part X, line 16)		4,111,832	3,054,786
<b>21</b>	Total liabilities (Part X, line 26)		1,677,969	1,276,166
<b>22</b>	Net assets or fund balances Subtract line 21 from line 20		2,433,863	1,778,620

**Part II Signature Block**

Under penalties of perjury, I declare that I have examined this return, including 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.

<b>Sign Here</b>	***** Signature of officer				
	CHARLES OSWALT CFO Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name WILLIAM T COUCH	Preparer's signature			
	Firm's name $\rightarrow$ Hughes Welch & MilliganCPASLTD				
	Firm's address $\rightarrow$ PO Box 2094 Batesville, AR 725032094				

May the IRS discuss this return with the preparer shown above? (see instructions)

**Part III Statement of Program Service Accomplishments**

Check if Schedule O contains a response or note to any line in this Part III  Yes  No

**1** Briefly describe the organization's mission  
LEVI HOSPITAL SYSTEM IS A NOT-FOR-PROFIT HOSPITAL WHICH SPECIALIZES IN ARTHRITIS & ORTHOPEDIC REHABILITATION & PSYCHIATRIC SERVICES THE HOSPITAL IS LOCATED IN HOT SPRINGS, AR AND PROVIDES SERVICES TO THE CITIZENS OF HOT SPRINGS AND THE SURROUNDING AREAS

**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 \$ 5,576,601 including grants of \$ ) (Revenue \$ )  
LEVI REHAB UNITS AT ST JOSEPH'S MERCY HEALTH CENTER PROVIDES INPATIENT REHABILITATION LEVI HOSPITAL ALSO OFFERS OUTPATIENT REHAB SERVICES AT THE PROSPECT AVENUE LOCATION, WHICH HOUSES A 3,000 SQUARE FT GYM AND A 50' X 20' POOL FILLED WITH THERMAL WATERS FROM HOT SPRINGS NATIONAL PARK REHABILITATION AIDS PATIENTS IN RECOVERY FROM STROKES, SURGERY, ACCIDENTS AND SPORTS-RELATED INJURIES AND TREATMENT TO HELP EASE SYMPTOMS OF VARIOUS DISEASES INCLUDING ARTHRITIS, OSTEOPOROSIS, LUPUS AND FIBROMYALGIA THE LEVI SPORTS MEDICINE PROGRAM INCLUDES PHYSICAL THERAPISTS AND ATHLETIC TRAINERS PROVIDING INJURY PREVENTION SERVICES AND ENDURANCE TRAINING, AS WELL AS TREATING INJURIES, AT SEVERAL LOCAL HIGH SCHOOLS LEVI HOSPITAL ESTABLISHED THE FIRST HOSPICE IN GARLAND COUNTY FIFTEEN YEARS AGO, AND IS AGAIN STRIVING TO MEET A COMMUNITY NEED BY OPENING A HOSPICE INPATIENT PROGRAM AT 300 PROSPECT AVENUE LEVI HOSPITAL ALSO OPERATES AN ADULT DAY RESPITE PROGRAM FOR ALZHEIMER'S PATIENTS IN A COOPERATIVE EFFORT WITH FIRST UNITED METHODIST CHURCH AND A GROUP OF INTER-FAITH VOLUNTEERS LEVI'S GERIATRIC/ADULT PSYCHIATRY PROGRAM PROVIDES INPATIENT TREATMENT FOR SENIORS AND ADULTS WITH MENTAL HEALTH CONDITIONS LEVI HOSPITAL CONTINUES TO PROVIDE SPECIALTY CARE, IN A UNIQUE TRADITION OF ITS JEWISH SERVICE HERITAGE, FOR THE BENEFIT OF THE RESIDENTS OF HOT SPRINGS AND ITS SURROUNDING COMMUNITIES LEVI HOSPITAL SHALL SERVE ALL PERSONS WITHOUT REGARDS TO RACE, RELIGION, CREED, NATIONAL ORIGIN, SEX, AGE, DISABILITY, OR ECONOMIC MEANS AS A NOT-FOR-PROFIT ENTITY, LEVI PROVIDES SERVICE WITHIN THE RESOURCES OF ITS ORGANIZATION

**4b** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4c** (Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4d** Other program services (Describe in Schedule O )  
(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e Total program service expenses** 5,576,601

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i> <input checked="" type="checkbox"/>	Yes	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? <input checked="" type="checkbox"/>	Yes	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		No
<b>4</b> <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		No
<b>5</b> 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? <i>If "Yes," complete Schedule C, Part III</i>		No
<b>6</b> 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? <i>If "Yes," complete Schedule D, Part I</i> <input checked="" type="checkbox"/>		No
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> <input checked="" type="checkbox"/>		No
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> <input checked="" type="checkbox"/>		No
<b>9</b> 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? <i>If "Yes," complete Schedule D, Part IV</i> <input checked="" type="checkbox"/>		No
<b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i> <input checked="" type="checkbox"/>		No
<b>11</b> 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		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i> <input checked="" type="checkbox"/>	Yes	
<b>b</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? <i>If "Yes," complete Schedule D, Part VII</i> <input checked="" type="checkbox"/>		No
<b>c</b> 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? <i>If "Yes," complete Schedule D, Part VIII</i> <input checked="" type="checkbox"/>		No
<b>d</b> 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? <i>If "Yes," complete Schedule D, Part IX</i> <input checked="" type="checkbox"/>	Yes	
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> <input checked="" type="checkbox"/>		No
<b>f</b> 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)? <i>If "Yes," complete Schedule D, Part X</i> <input checked="" type="checkbox"/>	Yes	
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> <input checked="" type="checkbox"/>		No
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> <input checked="" type="checkbox"/>	Yes	
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?		No
<b>b</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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		No
<b>15</b> 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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		No
<b>16</b> 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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		No
<b>17</b> 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? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>		No
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		No
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		No
<b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> <input checked="" type="checkbox"/>	Yes	
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? <input checked="" type="checkbox"/>	Yes	

**Part IV Checklist of Required Schedules** (continued)

<b>21</b>	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>	<b>21</b>		No
<b>22</b>	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>	<b>22</b>		No
<b>23</b>	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>	<b>23</b>		No
<b>24a</b>	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>	<b>24a</b>		No
<b>b</b>	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	<b>24b</b>		No
<b>c</b>	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	<b>24c</b>		No
<b>d</b>	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	<b>24d</b>		No
<b>25a</b>	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I . . . . .</i>	<b>25a</b>		No
<b>b</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>	<b>25b</b>		No
<b>26</b>	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>	<b>26</b>		No
<b>27</b>	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>	<b>27</b>		No
<b>28</b>	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)			
<b>a</b>	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV . . . . .</i>	<b>28a</b>		No
<b>b</b>	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV . . . . .</i>	<b>28b</b>		No
<b>c</b>	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>	<b>28c</b>		No
<b>29</b>	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M . . . . .</i>	<b>29</b>		No
<b>30</b>	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M . . . . .</i>	<b>30</b>		No
<b>31</b>	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I . . . . .</i>	<b>31</b>		No
<b>32</b>	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>	<b>32</b>		No
<b>33</b>	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> 	<b>33</b>		No
<b>34</b>	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> 	<b>34</b>	Yes	
<b>35a</b>	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	<b>35a</b>		No
<b>b</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> 	<b>35b</b>		No
<b>36</b>	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2 . . . . .</i> 	<b>36</b>		No
<b>37</b>	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> 	<b>37</b>		No
<b>38</b>	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	<b>38</b>	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
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. <span style="float: right;">25</span>		
<b>1b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable. <span style="float: right;">0</span>		
<b>1c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		No
<b>2a</b>	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return. <span style="float: right;">185</span>		
<b>2b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	Yes	
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?		No
<b>3b</b>	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.		No
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
<b>b</b>	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
<b>5b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
<b>5c</b>	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
<b>6b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		No
<b>7b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
<b>7c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
<b>7d</b>	If "Yes," indicate the number of Forms 8282 filed during the year. <span style="float: right;">0</span>		
<b>7e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
<b>7f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
<b>7g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		No
<b>7h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		No
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		No
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>9a</b>	Did the organization make any taxable distributions under section 4966?		No
<b>9b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?		No
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>10a</b>	Initiation fees and capital contributions included on Part VIII, line 12.		
<b>10b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>11a</b>	Gross income from members or shareholders.		
<b>11b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		No
<b>12b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>13a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		No
<b>13b</b>	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
<b>13c</b>	Enter the amount of reserves on hand.		
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?		No
<b>14b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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

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

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

**Section C. Disclosure**

- 17** List the States with which a copy of this Form 990 is required to be filed
- 18** Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
 Own website  Another's website  Upon request  Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
 CHARLES OSWALT 300 PROSPECT AVENUE  
 HOT SPRINGS, AR 71901 (501) 622-3322

**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) BRAD WOLKEN Director	1 00 0 00	X					0	0	0	
(2) LARRY STEPHENS Director	1 00 0 00	X					0	0	0	
(3) STUART FLEISCHNER DDS Director	1 00 0 00	X					0	0	0	
(4) PHILIP CLAY Director	1 00 0 00	X					0	0	0	
(5) STEVE DEMOTT Director	1 00 0 00	X					0	0	0	
(6) DENNIS SMITH CPA Treasurer	1 00 0 00	X		X			0	0	0	
(7) BRIAN HILL Director	1 00 0 00	X					0	0	0	
(8) RAY OWEN JR VICE CHAIR	1 00 0 00	X		X			0	0	0	
(9) RICHARD LEVI Director	1 00 0 00	X					0	0	0	
(10) P MARTIN COCO Director	1 00 0 00	X					0	0	0	
(11) LAWRENCE DODD MD Director	1 00 0 00	X					0	0	0	
(12) JIM RANDALL Chairman	1 00 0 00	X		X			0	0	0	
(13) HAROLD KOPPEL DDS MSD Director	1 00 0 00	X					0	0	0	
(14) KAREN BAIM REAGLER Secretary	1 00 0 00	X		X			0	0	0	
(15) BOB ASPPELL MD Director	1 00 0 00	X					0	0	0	
(16) CHARLES OSWALT CFO	40 00 0 00			X			107,745	0	0	
(17) PATRICK MCCABE CEO	40 00 0 00			X			135,342	0	0	



**Part VIII Statement of Revenue**

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

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b>	Federated campaigns . . . . . <b>1a</b>					
	<b>b</b>	Membership dues . . . . . <b>1b</b>					
	<b>c</b>	Fundraising events . . . . . <b>1c</b>					
	<b>d</b>	Related organizations . . . . . <b>1d</b>					
	<b>e</b>	Government grants (contributions) <b>1e</b>					
	<b>f</b>	All other contributions, gifts, grants, and similar amounts not included above <b>1f</b>	205,484				
	<b>g</b>	Noncash contributions included in lines 1a-1f \$					
	<b>h</b>	<b>Total.</b> Add lines 1a-1f . . . . .	205,484				
<b>Program Service Revenue</b>	<b>2a</b>	PROGRAM REVENUE	5,254,490	5,254,490			
	<b>b</b>						
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
	<b>f</b>	All other program service revenue					
	<b>g</b>	<b>Total.</b> Add lines 2a-2f . . . . .	5,254,490				
<b>Other Revenue</b>	<b>3</b>	Investment income (including dividends, interest, and other similar amounts) . . . . .	65,726			65,726	
	<b>4</b>	Income from investment of tax-exempt bond proceeds . . . . .	0				
	<b>5</b>	Royalties . . . . .	0				
	<b>6a</b>	Gross rents	(i) Real	1,047,114			
			(ii) Personal				
			<b>b</b> Less rental expenses				
			<b>c</b> Rental income or (loss)	1,047,114			
	<b>d</b>	Net rental income or (loss) . . . . .	1,047,114	1,047,114			
	<b>7a</b>	Gross amount from sales of assets other than inventory	(i) Securities				
			(ii) Other		450,000		
			<b>b</b> Less cost or other basis and sales expenses		200,000		
			<b>c</b> Gain or (loss)		250,000		
	<b>d</b>	Net gain or (loss) . . . . .	250,000			250,000	
	<b>8a</b>	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .					
	<b>a</b>						
	<b>b</b>	Less direct expenses . . . . . <b>b</b>					
	<b>c</b>	Net income or (loss) from fundraising events . . . . .	0				
	<b>9a</b>	Gross income from gaming activities See Part IV, line 19 . . . . .					
<b>a</b>							
<b>b</b>	Less direct expenses . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from gaming activities . . . . .	0					
<b>10a</b>	Gross sales of inventory, less returns and allowances . . . . .						
<b>a</b>							
<b>b</b>	Less cost of goods sold . . . . . <b>b</b>						
<b>c</b>	Net income or (loss) from sales of inventory . . . . .	0					
	Miscellaneous Revenue	Business Code					
<b>11a</b>	MANAGEMENT CONTRACT		60,000	60,000			
<b>b</b>	MEAL SALES		55,221	55,221			
<b>c</b>	MEDICAL RECORDS		4,712	4,712			
<b>d</b>	All other revenue . . . . .						
<b>e</b>	<b>Total.</b> Add lines 11a-11d . . . . .		119,933				
<b>12</b>	<b>Total revenue.</b> See Instructions . . . . .		6,942,747	6,421,537		315,726	

**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
<b>1</b>	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21	0			
<b>2</b>	Grants and other assistance to individuals in the United States. See Part IV, line 22	0			
<b>3</b>	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16	0			
<b>4</b>	Benefits paid to or for members	0			
<b>5</b>	Compensation of current officers, directors, trustees, and key employees	243,086		243,086	
<b>6</b>	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
<b>7</b>	Other salaries and wages	4,061,057	3,104,907	956,150	
<b>8</b>	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	0			
<b>9</b>	Other employee benefits	297,473	214,181	83,292	
<b>10</b>	Payroll taxes	314,223	226,241	87,982	
<b>11</b>	Fees for services (non-employees)				
<b>a</b>	Management	0			
<b>b</b>	Legal	17,084		17,084	
<b>c</b>	Accounting	33,000		33,000	
<b>d</b>	Lobbying	0			
<b>e</b>	Professional fundraising services. See Part IV, line 17	0			
<b>f</b>	Investment management fees	0			
<b>g</b>	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	0			
<b>12</b>	Advertising and promotion	33,535	3,613	29,922	
<b>13</b>	Office expenses	0			
<b>14</b>	Information technology	0			
<b>15</b>	Royalties	0			
<b>16</b>	Occupancy	245,678	245,678		
<b>17</b>	Travel	0			
<b>18</b>	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
<b>19</b>	Conferences, conventions, and meetings	0			
<b>20</b>	Interest	0			
<b>21</b>	Payments to affiliates	0			
<b>22</b>	Depreciation, depletion, and amortization	60,961		60,961	
<b>23</b>	Insurance	151,488	151,488		
<b>24</b>	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)				
<b>a</b>	SUPPLIES	1,774,109	1,452,188	321,921	
<b>b</b>	REPAIRS & MAINTENANCE	157,518	56,673	100,845	
<b>c</b>	PURCHASED SERVICES	105,328	72,342	32,986	
<b>d</b>	DUES & SUBS	50,571	24,138	26,433	
<b>e</b>	All other expenses	52,879	25,152	27,727	
<b>25</b>	<b>Total functional expenses.</b> Add lines 1 through 24e	7,597,990	5,576,601	2,021,389	0
<b>26</b>	<b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> 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
<b>Assets</b>	<b>1</b> Cash—non-interest-bearing . . . . .	909,404	<b>1</b>	369,730
	<b>2</b> Savings and temporary cash investments . . . . .		<b>2</b>	0
	<b>3</b> Pledges and grants receivable, net . . . . .		<b>3</b>	0
	<b>4</b> Accounts receivable, net . . . . .	786,790	<b>4</b>	538,561
	<b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .		<b>5</b>	0
	<b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L . . . . .		<b>6</b>	0
	<b>7</b> Notes and loans receivable, net . . . . .		<b>7</b>	0
	<b>8</b> Inventories for sale or use . . . . .	114,161	<b>8</b>	114,287
	<b>9</b> Prepaid expenses and deferred charges . . . . .	7,579	<b>9</b>	12,006
	<b>10a</b> Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D . . . . .	<b>10a</b> 6,837,149		
	<b>b</b> Less accumulated depreciation . . . . .	<b>10b</b> 5,337,571	1,490,525	<b>10c</b> 1,499,578
	<b>11</b> Investments—publicly traded securities . . . . .		<b>11</b>	0
	<b>12</b> Investments—other securities See Part IV, line 11 . . . . .		<b>12</b>	0
	<b>13</b> Investments—program-related See Part IV, line 11 . . . . .		<b>13</b>	0
	<b>14</b> Intangible assets . . . . .		<b>14</b>	0
	<b>15</b> Other assets See Part IV, line 11 . . . . .	803,373	<b>15</b>	520,624
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	4,111,832	<b>16</b>	3,054,786	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses . . . . .	1,677,969	<b>17</b>	1,276,166
	<b>18</b> Grants payable . . . . .		<b>18</b>	
	<b>19</b> Deferred revenue . . . . .		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities . . . . .		<b>20</b>	
	<b>21</b> Escrow or custodial account liability Complete Part IV of Schedule D . . . . .		<b>21</b>	
	<b>22</b> Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .		<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .		<b>24</b>	
	<b>25</b> 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 . . . . .		<b>25</b>	
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	1,677,969	<b>26</b>	1,276,166
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets . . . . .	2,433,863	<b>27</b>	1,778,620
	<b>28</b> Temporarily restricted net assets . . . . .		<b>28</b>	
	<b>29</b> Permanently restricted net assets . . . . .		<b>29</b>	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds . . . . .		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building or equipment fund . . . . .		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds . . . . .		<b>32</b>	
<b>33</b> Total net assets or fund balances . . . . .	2,433,863	<b>33</b>	1,778,620	
<b>34</b> Total liabilities and net assets/fund balances . . . . .	4,111,832	<b>34</b>	3,054,786	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	6,942,747
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	7,597,990
<b>3</b>	Revenue less expenses Subtract line 2 from line 1	<b>3</b>	-655,243
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	2,433,863
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>9</b>	
<b>10</b>	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	<b>10</b>	1,778,620

**Part XII Financial Statements and Reporting**

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

	Yes	No
<b>1</b> Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
<b>2a</b> Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
<b>2b</b> Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
<b>2c</b> 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	
<b>3a</b> 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
<b>3b</b> If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

**SCHEDULE A**  
(Form 990 or 990EZ)

**Public Charity Status and Public Support**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

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

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

Department of the Treasury  
Internal Revenue Service

**Name of the organization**

LEO N LEVI MEMORIAL HOSPITAL ASSOCIATION

**Employer identification number**

71-0246565

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

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

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state \_\_\_\_\_
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II )
- 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h  
  - a  Type I b  Type II c  Type III - Functionally integrated d  Type III - Non-functionally integrated
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f  If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box

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

(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?

	Yes	No
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

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

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

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

**Section A. Public Support**

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

**Section B. Total Support**

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

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

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

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

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

**Section A. Public Support**

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

**Section B. Total Support**

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

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

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

**Section D. Computation of Investment Income Percentage**

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

- 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)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

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.

Department of the Treasury Internal Revenue Service

Name of the organization LEO N LEVI MEMORIAL HOSPITAL ASSOCIATION

Employer identification number

71-0246565

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year, and questions about donor advised funds and grant purposes.

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

Table with 2 columns: Description, Held at the End of the Year. Rows include Purpose(s) of conservation easements, Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06, and other details.

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.

Table with 2 columns: Description, Amount. Rows include questions about reporting works of art, historical treasures, or other similar assets held for public exhibition, education, or research.

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

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

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

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

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

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

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

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

	Amount
<b>1c</b> Beginning balance	
<b>1d</b> Additions during the year	
<b>1e</b> Distributions during the year	
<b>1f</b> Ending balance	

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

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

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

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

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

- a** Board designated or quasi-endowment
  - b** Permanent endowment
  - c** Temporarily restricted endowment
- The percentages in lines 2a, 2b, and 2c should equal 100%

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

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

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

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

Description of property	(a) Cost or other basis (Investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
<b>1a</b> Land	963,356	209,374		1,172,730
<b>b</b> Buildings		2,878,539	2,846,209	32,330
<b>c</b> Leasehold improvements		132,162	125,373	6,789
<b>d</b> Equipment		2,653,718	2,365,989	287,729
<b>e</b> Other				
<b>Total.</b> Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				1,499,578



**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.

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .		<b>1</b>	6,942,747
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>		
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>		
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .		<b>3</b>	6,942,747
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .		<b>4c</b>	
<b>5</b>	Total revenue Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .		<b>5</b>	6,942,747

**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.

<b>1</b>	Total expenses and losses per audited financial statements . . . . .		<b>1</b>	7,597,990
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25			
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>		
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>		
<b>c</b>	Other losses . . . . .	<b>2c</b>		
<b>d</b>	Other (Describe in Part XIII ) . . . . .	<b>2d</b>		
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .		<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .		<b>3</b>	7,597,990
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :			
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>		
<b>b</b>	Other (Describe in Part XIII ) . . . . .	<b>4b</b>		
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .		<b>4c</b>	
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . .		<b>5</b>	7,597,990

**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 X FIN48 Footnote	The System has adopted Accounting Standards Codification Topic 740, Accounting for Uncertainty in Income Taxes The System will recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur The amount recognized will be the largest amount of tax benefit that has a greater than 50% likelihood of being realized on examination for tax positions not meeting the more likely than not test, no tax benefit will be recorded



SCHEDULE H (Form 990)

Hospitals

OMB No 1545-0047

2013

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.

Open to Public Inspection

Name of the organization LEO N LEVI MEMORIAL HOSPITAL ASSOCIATION

Employer identification number 71-0246565

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? 1b If "Yes," was it a written policy? 2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy... 3a Did the organization use Federal Poverty Guidelines (FPG) as a factor... 3b Did the organization use FPG as a factor... 4 Did the organization's financial assistance policy... 5a Did the organization budget amounts... 5b If "Yes," did the organization's financial assistance expenses... 5c If "Yes" to line 5b... 6a Did the organization prepare a community benefit report... 6b If "Yes," did the organization make it available to the public?

7 Financial Assistance and Certain Other Community Benefits at Cost

Table with 7 columns: (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. Rows include Financial Assistance and Means-Tested Government Programs and Other Benefits.

**Part III 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
<b>1</b> Physical improvements and housing						
<b>2</b> Economic development						
<b>3</b> Community support						
<b>4</b> Environmental improvements						
<b>5</b> Leadership development and training for community members						
<b>6</b> Coalition building						
<b>7</b> Community health improvement advocacy						
<b>8</b> Workforce development						
<b>9</b> Other						
<b>10 Total</b>						

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

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	<b>1</b>	Yes	
<b>2</b> Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	<b>2</b>		
			799,798
<b>3</b> 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.	<b>3</b>		
			591,537
<b>4</b> 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**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME)	<b>5</b>		1,679,955
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5	<b>6</b>		1,576,401
<b>7</b> Subtract line 6 from line 5. This is the surplus (or shortfall)	<b>7</b>		103,554
<b>8</b> 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: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other			

**Section C. Collection Practices**

<b>9a</b> Did the organization have a written debt collection policy during the tax year?	<b>9a</b>	Yes	
<b>b</b> If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	<b>9b</b>	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 %
<b>1</b> AR HOMECARE OF HOT SPRINGS	HOME HEALTH	33 000 %		
<b>2</b> HOSPICE OF CENTRAL AR LLC	HOSPICE	33 000 %		
<b>3</b>				
<b>4</b>				
<b>5</b>				
<b>6</b>				
<b>7</b>				
<b>8</b>				
<b>9</b>				
<b>10</b>				
<b>11</b>				
<b>12</b>				
<b>13</b>				

**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

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)

LEO N LEVI 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
<b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
<b>1</b>	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)	Yes	
<b>a</b>	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
<b>b</b>	<input checked="" type="checkbox"/> Demographics of the community		
<b>c</b>	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
<b>d</b>	<input checked="" type="checkbox"/> How data was obtained		
<b>e</b>	<input checked="" type="checkbox"/> The health needs of the community		
<b>f</b>	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
<b>g</b>	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
<b>h</b>	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
<b>i</b>	<input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
<b>j</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>2</b>	Indicate the tax year the hospital facility last conducted a CHNA <u>2013</u>		
<b>3</b>	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	Yes	
<b>4</b>	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI		No
<b>5</b>	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)		No
<b>a</b>	<input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.LEVIHOSPITAL.COM</u>		
<b>b</b>	<input type="checkbox"/> Other website (list url) _____		
<b>c</b>	<input type="checkbox"/> Available upon request from the hospital facility		
<b>d</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>6</b>	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)		
<b>a</b>	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
<b>b</b>	<input type="checkbox"/> Execution of the implementation strategy		
<b>c</b>	<input type="checkbox"/> Participation in the development of a community-wide plan		
<b>d</b>	<input type="checkbox"/> Participation in the execution of a community-wide plan		
<b>e</b>	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
<b>f</b>	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
<b>g</b>	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
<b>h</b>	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
<b>i</b>	<input type="checkbox"/> Other (describe in Part VI)		
<b>7</b>	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	Yes	
<b>8a</b>	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)?		No
<b>8b</b>	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?		No
<b>c</b>	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

**Part V Facility Information** (continued)

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

<b>Billing and Collections</b>		<b>Yes</b>	<b>No</b>
<b>15</b>	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	Yes	
<b>16</b>	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
<b>a</b>	<input checked="" type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input checked="" type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input type="checkbox"/> Other similar actions (describe in Section C)		
<b>17</b>	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	Yes	
<b>a</b>	<input checked="" type="checkbox"/> Reporting to credit agency		
<b>b</b>	<input checked="" type="checkbox"/> Lawsuits		
<b>c</b>	<input type="checkbox"/> Liens on residences		
<b>d</b>	<input type="checkbox"/> Body attachments		
<b>e</b>	<input checked="" type="checkbox"/> 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**

**19** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate why

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility's policy was not in writing
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

	Yes	No
<b>19</b>	Yes	

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

**20** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a**  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b**  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c**  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d**  Other (describe in Part VI)

**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

**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

<b>21</b>		No
<b>22</b>		No



**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)
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

**Part VI Supplemental Information**

Provide the following information

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

Form and Line Reference	Explanation
Part I, Line 3c - Charity Care Eligibility Criteria (FPG Is Not Used)	NO INCOME BASED CRITERIA IS USED
Part III, Line 9b - Provisions On Collection Practices For Qualified Patients	PATIENTS ARE INFORMED OF CHARITY CARE PROGRAM

Form and Line Reference	Explanation
Part VI - Needs Assessment	UTILIZES ANNUAL STATISTICAL REPORT WITH DEMOGRAPHIC INFORMATION FROM DHS AS WELL AS REPORTS SHOWING PERCENT OF COMMUNITY BY PAYOR SOURCE
Part VI - Patient Education of Eligibility for Assistance	INFORMS PATIENTS UPON ADMISSION AND POSTS NOTICES IN CONSPICUOUS AREAS

Form and Line Reference	Explanation
Part VI - Community Information	URBAN SETTING, PREDOMINANTLY INDUSTRIAL BASE AVERAGE INCOME AT OR BELOW FEDERAL POVERTY GUIDELINES PREDOMINANTLY CAUCASIAN, HIGH SCHOOL EDUCATED AND GERIATRIC IN NATURE
Part VI - Community Building Activities	The Hospital engaged in the following community building activities during the year ended December 31, 2010 Free glucose testing, fall prevention testing, grip strength testing, free training for clinical interns, sports medicine program for area high schools, sports medicine injury training for ambulance services and emergency rooms, training for school coaches regarding sports medicine, physicals for student athletes, health fairs, public speaking at civic clubs, provide space for health support groups and sponsorship of community organizations

Form and Line Reference	Explanation
Part VI - Explanation Of How Organization Furthers Its Exempt Purpose	<p>LEVI REHAB UNITS AT ST JOSEPH'S MERCY HEALTH CENTER PROVIDES INPATIENT REHABILITATION LEVI HOSPITAL ALSO OFFERS OUTPATIENT REHAB SERVICES AT THE PROSPECT AVENUE LOCATION, WHICH HOUSES A 3,000 SQUARE FT GYM AND A 50' X 20' POOL FILLED WITH THERMAL WATERS FROM HOT SPRINGS NATIONAL PARK REHABILITATION AIDS PATIENTS IN RECOVERY FROM STROKES, SURGERY, ACCIDENTS AND SPORTS-RELATED INJURIES AND TREATMENT TO HELP EASE SYMPTOMS OF VARIOUS DISEASES INCLUDING ARTHRITIS, OSTEOPOROSIS, LUPUS AND FIBROMYALGIA THE LEVI SPORTS MEDICINE PROGRAM INCLUDES PHYSICAL THERAPISTS AND ATHLETIC TRAINERS PROVIDING INJURY PREVENTION SERVICES AND ENDURANCE TRAINING, AS WELL AS TREATING INJURIES, AT SEVERAL LOCAL HIGH SCHOOLS LEVI HOSPITAL ESTABLISHED THE FIRST HOSPICE IN GARLAND COUNTY FIFTEEN YEARS AGO, AND IS AGAIN STRIVING TO MEET A COMMUNITY NEED BY OPENING A HOSPICE INPATIENT PROGRAM AT 300 PROSPECT AVENUE LEVI HOSPITAL ALSO OPERATES AN ADULT DAY RESPITE PROGRAM FOR ALZHEIMER'S PATIENTS IN A COOPERATIVE EFFORT WITH FIRST UNITED METHODIST CHURCH AND A GROUP OF INTER-FAITH VOLUNTEERS LEVI'S GERIATRIC/ADULT PSYCHIATRY PROGRAM PROVIDES INPATIENT TREATMENT FOR SENIORS AND ADULTS WITH MENTAL HEALTH CONDITIONS LEVI HOSPITAL CONTINUES TO PROVIDE SPECIALTY CARE, IN A UNIQUE TRADITION OF ITS JEWISH SERVICE HERITAGE, FOR THE BENEFIT OF THE RESIDENTS OF HOT SPRINGS AND ITS SURROUNDING COMMUNITIES LEVI HOSPITAL SHALL SERVE ALL PERSONS WITHOUT REGARDS TO RACE, RELIGION, CREED, NATIONAL ORIGIN, SEX, AGE, DISABILITY, OR ECONOMIC MEANS AS A NOT-FOR-PROFIT ENTITY, LEVI PROVIDES SERVICE WITHIN THE RESOURCES OF ITS ORGANIZATION</p>
Part V - Explanation of Number of Facility Type	1-HOSPITAL WITH 1-HOME HEALTH AGENCY, 1-HOSPICE AND 1-SKILLED NURSING FACILITY UNDER ITS CONTROL

**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](http://www.irs.gov/form990).**

**2013**

**Open to Public Inspection**

Name of the organization  
LEO N LEVI MEMORIAL HOSPITAL ASSOCIATION

Employer identification number

71-0246565

**990 Schedule O, Supplemental Information**

Return Reference	Explanation
Form 990, Part VI, Line 11b Form 990 Review Process	NO REVIEW WILL OR WAS CONDUCTED
Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	THE HOSPITAL HAS A CODE OF BUSIENSS CONDUCT THAT OUTLINES FUDICIARY RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND OFFICERS AND AS WELL AS STANDARDS OF PERSONAL CONDUCT OF EMPLOYEES THE POLICIES ALSO COVER TRANSACTIONS WITH OUTSIDE PARTIES, FINANCIAL RECORDS, POLITICAL ACTIVITIES, LEGAL ISSUES, TAX EXEMPT STATUS AND HEALTH AND SAFETY ISSUES THE POLICES ARE MONITORED AND ENFORCED BY A CHIEF COMPLIANCE OFFICER AT ALL LEVELS OF THE ORGANIZATION
Form 990, Part VI, Line 15a Compensation Review & Approval Process - CEO, Top Management	EVALUATION CONDUCTED AND COMPENSATION APPROVED BY BOARD
Form 990, Part VI, Line 15b Compensation Review and Approval Process for Officers and Key Employees	EVALUATION AND COMPENSATION CONDUCTED ANNUALLY
Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	AVAILABLE UPON REQUEST FROM ADMINISTRATION

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No 1545-0047

**2013**

**Open to Public Inspection**

- ▶ 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](http://www.irs.gov/form990).

Department of the Treasury  
Internal Revenue Service

Name of the organization  
LEO N LEVI MEMORIAL HOSPITAL ASSOCIATION

Employer identification number  
71-0246565

**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) LEVI ENDOWMENT FOUNDATION 300 PROSPECT AVENUE HOT SPRINGS, AR 71901 71-0583773	SUPPORTING ORGANIZATION	AR	501 (C)(3)	3	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) Disproportionate 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	
(1) HOSPICE OF CENTRAL ARKANSAS LLC 420 WEST PINHOOK SUITE A LAFAYETTE, LA 70503 26-4310419	HOSPICE	LA	NA		64,561	40,497		No			No	33 000 %

**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

**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
<b>1a</b>		No
<b>1b</b>		No
<b>1c</b>	Yes	
<b>1d</b>		No
<b>1e</b>		No
<b>1f</b>		No
<b>1g</b>		No
<b>1h</b>		No
<b>1i</b>		No
<b>1j</b>		No
<b>1k</b>		No
<b>1l</b>		No
<b>1m</b>		No
<b>1n</b>		No
<b>1o</b>		No
<b>1p</b>		No
<b>1q</b>		No
<b>1r</b>		No
<b>1s</b>		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
<b>(1)</b> LEVI ENDOWMENT FOUNDATION	c	205,484	FMV



**Part VII Supplemental Information**

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

**Return Reference****Explanation**

**LEVI HOSPITAL SYSTEM  
(Successor to Leo N. Levi Memorial  
Hospital Association)**

**Independent Auditor's Report and  
Consolidated Financial Statements**

**December 31, 2013 and 2012**

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

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# HUGHES, WELCH & MILLIGAN, LTD.

## CERTIFIED PUBLIC ACCOUNTANTS

ROBERT J. HUGHES, JR., CPA  
(1951-2007)

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JOHN ED WELCH, CPA  
WILLIAM T. COUCH, JR., CPA  
JEFF D. WELCH, CPA, JD

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Levi Hospital System  
Hot Springs, Arkansas

We have audited the accompanying consolidated financial statements of Levi Hospital System (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements

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

Management is responsible for the preparation and fair presentation of these 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.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Levi Hospital System as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Hughes, Welch & Milligan, Ltd.*  
Certified Public Accountants

Batesville, Arkansas  
June 10, 2014

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Consolidated Balance Sheets**

**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents - Notes 1 and 14	\$ 677,938	\$ 1,426,604
Short-term investments - Notes 5 and 15	1,017,467	804,464
Patient accounts receivable, net of estimated uncollectibles - Note 2	538,560	786,790
Other receivables - Note 8	154,571	182,782
Prepaid expenses	12,006	8,337
Inventories	114,287	114,156
<b>Total current assets</b>	<u>2,514,829</u>	<u>3,323,133</u>
<b>Long-term investments</b> - Notes 5 and 15	<u>4,612,823</u>	<u>3,967,012</u>
<b>Property and equipment</b> , net of accumulated depreciation and amortization - Note 6	<u>536,223</u>	<u>527,170</u>
<b>Other non-current assets</b>		
Stamp collection	100,000	100,000
Land held for sale	963,356	963,356
Investment in affiliates - Note 12	45,497	291,166
<b>Total other non-current assets</b>	<u>1,108,853</u>	<u>1,354,522</u>
<b>Total assets</b>	<u><u>\$ 8,772,728</u></u>	<u><u>\$ 9,171,837</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 405,589	\$ 382,987
Accrued expenses payable - Note 8	534,208	878,546
Estimated third-party settlements - Note 4	61,370	342,378
<b>Total current liabilities</b>	<u>1,001,167</u>	<u>1,603,911</u>
<b>Total liabilities</b>	<u>1,001,167</u>	<u>1,603,911</u>
<b>Net assets</b> - Notes 1 and 9		
Unrestricted	3,154,681	3,597,141
Temporarily restricted	3,143,956	2,471,006
Permanently restricted	1,472,924	1,499,779
<b>Total net assets</b>	<u>7,771,561</u>	<u>7,567,926</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 8,772,728</u></u>	<u><u>\$ 9,171,837</u></u>

The notes to the consolidated financial statements are an integral part of this statement

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2013 and 2012**

	2013			<u>Total</u>
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted</u>	
<b>Revenues, gains and other support</b>				
Net patient service revenue (net of contractual discounts and allowances)	\$ 6,054,288	\$ -	\$ -	\$ 6,054,288
Provision for uncollectible accounts	(799,798)	-	-	(799,798)
Net patient service revenue, less provision for uncollectible accounts	5,254,490	-	-	5,254,490
Other operating revenue	1,107,047	-	-	1,107,047
Contributions	429,550	-	-	429,550
<b>Total revenues, gains and other support</b>	<u>6,791,087</u>	<u>-</u>	<u>-</u>	<u>6,791,087</u>
<b>Operating expenses</b>				
Salaries and wages	4,388,367	-	-	4,388,367
Employee benefits	611,696	-	-	611,696
Supplies and other expenses	2,741,874	-	-	2,741,874
Depreciation and amortization expense	60,961	-	-	60,961
<b>Total operating expenses</b>	<u>7,802,898</u>	<u>-</u>	<u>-</u>	<u>7,802,898</u>
<b>Operating (loss)</b>	<u>(1,011,811)</u>	<u>-</u>	<u>-</u>	<u>(1,011,811)</u>
<b>Nonoperating revenues (expenses)</b>				
Equity in income of investees	65,726	-	-	65,726
Interest income	-	-	-	-
Investment return - marketable securities	51,219	138,044	15,525	204,788
Gain on sale of equity in investee	250,000	-	-	250,000
<b>Total nonoperating revenues (expenses)</b>	<u>366,945</u>	<u>138,044</u>	<u>15,525</u>	<u>520,514</u>
<b>Excess (deficit) of revenues over expenses</b>	(644,866)	138,044	15,525	(491,297)
<b>Change in unrealized gain/(loss) on other than trading securities</b>	169,780	551,936	(26,784)	694,932
<b>Net assets released from restrictions</b>	32,626	(17,030)	(15,596)	-
<b>Increase (decrease) in net assets</b>	(442,460)	672,950	(26,855)	203,635
<b>Net assets beginning of period</b>	3,597,141	2,471,006	1,499,779	7,567,926
<b>Net assets end of period</b>	<u>\$ 3,154,681</u>	<u>\$ 3,143,956</u>	<u>\$ 1,472,924</u>	<u>\$ 7,771,561</u>

The notes to the consolidated financial statements are an integral part of this statement

2012

<b>Unrestricted Net Assets</b>	<b>Temporarily Restricted Net Assets</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 7,253,907 (759,503)	\$ - -	\$ - -	\$ 7,253,907 (759,503)
6,494,404	-	-	6,494,404
1,137,229	-	-	1,137,229
160,349	-	-	160,349
<u>7,791,982</u>	<u>-</u>	<u>-</u>	<u>7,791,982</u>
4,700,112	-	-	4,700,112
772,094	-	-	772,094
2,788,129	-	-	2,788,129
53,820	-	-	53,820
<u>8,314,155</u>	<u>-</u>	<u>-</u>	<u>8,314,155</u>
(522,173)	-	-	(522,173)
146,789	-	-	146,789
8,985	-	-	8,985
18,243	43,487	18,763	80,493
-	-	-	-
<u>174,017</u>	<u>43,487</u>	<u>18,763</u>	<u>236,267</u>
(348,156)	43,487	18,763	(285,906)
90,067	166,976	(1,849)	255,194
43,808	(26,629)	(17,179)	-
(214,281)	183,834	(265)	(30,712)
<u>3,811,422</u>	<u>2,287,172</u>	<u>1,500,044</u>	<u>7,598,638</u>
<b><u>\$ 3,597,141</u></b>	<b><u>\$ 2,471,006</u></b>	<b><u>\$ 1,499,779</u></b>	<b><u>\$ 7,567,926</u></b>

The notes to the consolidated financial statements are an integral part of this statement

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Consolidated Statements of Cash Flows**

**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 203,635	\$ (30,712)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation and amortization	60,961	53,820
Provision for bad debts	799,798	759,503
Net realized and unrealized (gain) loss on other than trading securities	(800,905)	(251,400)
Equity in income of investees	(65,726)	(146,789)
Gain on sale of equity investee	(250,000)	-
Net changes in:		
Patient accounts receivable	(551,568)	(745,704)
Inventories and prepaid expenses	(3,800)	(3,560)
Other receivables	28,211	142,000
Accounts payable and accrued expenses	(321,736)	21,317
Estimated third-party settlements	(281,008)	38,761
<b>Net cash (used in) operating activities</b>	<u>(1,182,138)</u>	<u>(162,764)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(1,871,762)	(3,864,398)
Proceeds from disposition of investments	1,813,853	3,682,543
Distributions from equity investees	111,395	87,960
Proceeds from sale of equity investee	450,000	-
Purchase of property, plant and equipment	(70,014)	(222,644)
Collection of notes receivable	-	560,855
<b>Net cash provided by investing activities</b>	<u>433,472</u>	<u>244,316</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(748,666)	81,552
<b>Cash and cash equivalents, beginning of period</b>	<u>1,426,604</u>	<u>1,345,052</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 677,938</u>	<u>\$ 1,426,604</u>

The notes to the consolidated financial statements are an integral part of this statement

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Levi Hospital System (the System) was established as a not-for-profit entity during 2006. The System is the successor to the Leo N. Levi Memorial Hospital Association. Its purpose is to operate for the benefit of, to perform the functions of and to carry out the purposes of Levi Memorial Hospital (the Hospital). The System is the sole member of the Hospital and the Levi Endowment Foundation (the Foundation). No activity occurred in the System during the years ended December 31, 2013 and 2012.

Levi Memorial Hospital is a not-for-profit Hospital located in Hot Springs, Arkansas, and provides inpatient, outpatient and home health services to the citizens of Hot Springs and the surrounding area as well as rehabilitation management services to local hospitals.

The Foundation was established to foster, support and encourage the activities and purposes of the Hospital, and to advance its objectives, including the sponsorship of assistance to the Hospital. The Foundation receives, manages and administers funds exclusively for the Hospital, primarily earning revenues from investment income and contributions.

The consolidated entities are collectively referred to as the System.

***Basis of Accounting***

The consolidated financial statements of Levi Hospital System have been prepared on the accrual basis of accounting.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Hospital and the Foundation. All significant intercompany accounts and transactions 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 items subject to such estimates and assumption include the allowances for uncollectible accounts and contractual adjustments, reserves for professional and general liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, and estimated third-party payor settlements. In addition, 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 related to these programs could change by a material amount in the near term.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

***Cash and Cash Equivalents***

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third party payors

***Investments and Investment Return***

Investment in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Unrealized gains and losses on investments recorded at fair value are included in the consolidated statements of operations and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or laws.

Dividend, interest, and other investment income are recorded as increases in unrestricted net assets unless the use is restricted by donor. Donated investments are recorded at fair value at the date of receipt. Investment income from assets held by trustees is reported in other nonoperating revenue.

Investments in partnerships and limited liability companies are recorded using the equity method of accounting (which approximates fair value) with the related changes in value in earnings reported as other non-operating income in the accompanying consolidated financial statements. Under the equity method, the initial investment is recorded at cost, then reduced by distributions and increased or decreased by the proportionate share of the entities net earnings or losses.

***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility 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 allowances for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expended uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (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 uncollectible accounts 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

***Inventory***

The System states supply inventories at the lower of cost, determined using the first-in, first-out method, or market

***Property and Equipment***

Property and equipment acquisitions with estimated useful lives of one year and costing more than \$5,000 are recorded at cost. Depreciation is provided over the estimated useful life of each asset and is computed using the straight-line method over asset lives as follows.

Land improvements	2 – 25
Building and building improvements	5 – 40
Fixed equipment	5 – 20
Movable equipment	3 – 20

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 unless the lease conveys title or there is a bargain purchase option. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest cost was capitalized during the years ended December 31, 2013 or 2012.

Donations of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions restricted to the purchase of property and equipment which are met within the same year as received are reported as increases in unrestricted net assets in the accompanying consolidated financial statements.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed of are separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the consolidated balance sheets.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donor's wishes primarily to purchase equipment and to provide other health and educational programs and services.

***Net Patient Service Revenue***

The System has agreements with third-party payors that provide for payments to the System at amounts different from 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 considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as final settlements are determined.

The System recognizes patient service revenue associated with services provided to patients who have third-party 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.

***Charity Care***

The System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the System does not pursue collections of amounts determined to qualify as charity care, they are not reported as revenue.

The System maintains the costs associated with providing charity care by aggregating the direct and indirect costs, and calculating the cost to charge ratio based on data from its cost reporting system.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

***Charity Care (cont.)***

The following information measures the level of charity care provided during the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Charges foregone, based on established rates	\$ 704,647	\$ 901,716
Estimated costs and expenses incurred to provide charity care	437,524	526,302
Equivalent percentage of charity care charges foregone to total gross revenue	6.9%	7.7%

***Contributions***

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

***Self-Funded Insurance***

The System maintains a self-insured health care plan covering substantially all full-time employees. Contributions are made to the administrator of the plan as health care claims are paid and expenses are accrued as incurred.

***Medical Malpractice Coverage and Claims***

The System purchases medical malpractice insurance under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. Management believes that policy limits are sufficient to cover any potential losses from asserted and unasserted claims.

An annual estimated provision, if any, is accrued for the System's portion of professional and general liability claims. The provision for estimated professional and general liability claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Cont.)**

***Income Taxes***

The System has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, they are subject to federal income tax on any unrelated business taxable income. Management annually reviews its tax position and has determined that there are no material uncertain tax positions that require recognition in the financial statements. The tax years for 2011, 2012, and 2013 remain open to examination to by major tax jurisdictions.

***Excess of Revenues Over Expenses***

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers 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 purpose of acquiring such assets).

***Advertising***

Advertising costs are expensed as incurred.

***Reclassifications***

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net assets as previously reported.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 2 – Patient Accounts Receivable**

The System grants credit without collateral to patients for services provided. The collectibility of the System's accounts receivable is dependent upon its patients' ability to honor their debt obligations. The System's accounts receivable consists of amounts due from patients and third-party payors. The System has established allowances for doubtful accounts and for contractual adjustments on Medicare-Medicaid accounts. Accounts receivable and the related allowances are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>Hospital</b>				
Medicare	\$ 412,611	27.7%	\$ 715,748	36.3%
Medicaid	213,280	14.3%	204,095	10.3%
Commercial and other	418,656	28.2%	525,400	26.6%
Self-pay	<u>442,656</u>	<u>29.8%</u>	<u>529,230</u>	<u>26.8%</u>
Gross patient accounts receivable	1,487,203	<u>100.0%</u>	1,974,473	<u>100.0%</u>
Less: Allowance for doubtful accounts	(582,585)		(728,794)	
Allowance for contractual adjustments	<u>(366,058)</u>		<u>(458,889)</u>	
<b>Net patient accounts receivable</b>	<u><b>\$ 538,560</b></u>		<u><b>\$ 786,790</b></u>	

**Note 3 – Net Patient Service Revenue**

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. These payment arrangements include:

**Medicare**

Inpatient acute care services rendered to Medicare program beneficiaries in the System's psychiatric unit are subject to the Tax Equity and Fiscal Responsibility Act (TEFRA). Under TEFRA, services are paid pursuant to a cost-reimbursement methodology subject to certain cost limitations per discharge. Reimbursement for substantially all Medicare outpatient hospital services is based on prospectively determined packaged rates or fee schedule amounts. The System is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary. Beginning January 1, 2005, this program began paying for services on a fixed basis per patient based on diagnosis and other factors, to be phased in over three years.

**Medicaid**

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain cost limitations. The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. Outpatient services are paid based on defined allowable charges.

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 3 – Net Patient Service Revenue (Cont.)**

Approximately 68.8% and 65.4% of gross patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates may change materially in the near term.

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

A summary of amounts comprising gross patient service revenue follows:

	<u>2013</u>		<u>2012</u>	
Gross patient service revenue				
Medicare	\$ 4,008,744	39.0%	\$ 4,803,881	41.3%
Medicaid	2,708,832	26.4%	3,200,351	27.5%
Commercial	2,669,098	26.0%	2,961,071	25.4%
Self-pay	<u>886,329</u>	<u>8.6%</u>	<u>676,308</u>	<u>5.8%</u>
<b>Total</b>	<b><u>\$ 10,273,003</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 11,641,611</u></b>	<b><u>100.0%</u></b>

**Note 4 – Estimated Medicare-Medicaid Cost Report Receivable/(Payable)**

The System provides care to patients entitled to Medicare and Medicaid benefits and is to receive reimbursement based on a statement of allowable costs filed annually. This cost statement is subject to audit by intermediary auditors for a final settlement, but adjustments, if any, are not expected to be material.

The estimated receivables/(payable) for federal programs at December 31, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
<b>Due to/from:</b>		
Medicare	\$ 4,056	\$ 121,569
Medicaid	<u>(65,426)</u>	<u>(463,947)</u>
<b>Estimated Medicare-Medicaid cost report receivable/(payable)</b>	<b><u>\$ (61,370)</u></b>	<b><u>\$ (342,378)</u></b>

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 5 – Investments and Investment Return**

The composition of the System's investments, stated at fair value, at December 31, 2013 and 2012 were as follows

	December 31, 2013			December 31, 2012		
	Cost	Fair Value	Unrealized Gain/(Loss)	Cost	Fair Value	Unrealized Gain/(Loss)
<b>Available for sale:</b>						
Cash and short-term investments	\$ 461,926	\$ 461,926	\$ -	\$ 396,910	\$ 396,910	\$ -
U S Treasury obligations	111,209	124,702	13,493	110,749	134,962	24,213
Bonds and notes	1,224,491	1,212,306	(12,185)	1,050,345	1,054,224	3,879
Equity securities - stocks	1,567,534	2,239,003	671,469	1,650,571	1,893,062	242,491
Equity securities - ETF's	1,253,108	1,592,353	339,245	1,245,811	1,292,318	46,507
<b>Total available for sale</b>	<b>\$ 4,618,268</b>	5,630,290	<b>\$ 1,012,022</b>	<b>\$ 4,454,386</b>	4,771,476	<b>\$ 317,090</b>
Less Short-term investments		(1,017,467)			(804,464)	
<b>Long-term investments</b>		<b>\$ 4,612,823</b>			<b>\$ 3,967,012</b>	

Investment income, gains and losses for cash equivalents and investments were comprised of the following for the years ended December 31, 2013 and 2012

	December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest, dividends and other	\$ 20,190	\$ 63,100	\$ 15,525	\$ 98,815
Realized gain/(loss)	31,029	74,944	-	105,973
Investment return	51,219	138,044	15,525	204,788
Change in unrealized gain/(loss)	169,780	551,936	(26,784)	694,932
<b>Total investment income, gain or (loss)</b>	<b>\$ 220,999</b>	<b>\$ 689,980</b>	<b>\$ (11,259)</b>	<b>\$ 899,720</b>

	December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest, dividends and other	\$ 17,606	\$ 47,930	\$ 18,751	\$ 84,287
Realized gain/(loss)	637	(4,443)	12	(3,794)
Investment return	18,243	43,487	18,763	80,493
Change in unrealized gain/(loss)	90,067	166,976	(1,849)	255,194
<b>Total investment income, gain or (loss)</b>	<b>\$ 108,310</b>	<b>\$ 210,463</b>	<b>\$ 16,914</b>	<b>\$ 335,687</b>

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 5 – Investments and Investment Return (Cont.)**

Investment expenses and fees were \$40,621 and \$39,538 for the years ended December 31, 2013 and 2012, respectively

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at December 31, 2013 and 2012 was \$1,016,916 and \$581,893, which represents approximately 18% and 12% of the System's investment portfolio, respectively. These declines primarily resulted from decreases in market interest rates and failure of certain investments to meet projected earnings targets.

Based on evaluation of available evidence, including recent changes in market rates, credit rating information, and information obtained from regulatory filings, management believes that the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified. The following table shows the investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2013 and 2012.

		December 31, 2013					
<u>Description of Securities</u>	<u>Number of Securities</u>	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
		<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Bonds and notes	15	\$ 861,267	\$ 13,316	\$ -	\$ -	\$ 861,267	\$ 13,316
Equity securities - stocks	3	42,203	131	20,196	1,508	62,399	1,639
Equity securities - ETF's	6	59,653	3,292	33,597	3,605	93,250	6,897
<b>Total temporarily impaired securities</b>	<b>24</b>	<b>\$ 963,123</b>	<b>\$ 16,739</b>	<b>\$ 53,793</b>	<b>\$ 5,113</b>	<b>\$ 1,016,916</b>	<b>\$ 21,852</b>

		December 31, 2012					
<u>Description of Securities</u>	<u>Number of Securities</u>	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
		<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Bonds and notes	3	\$ 175,103	\$ 151	\$ -	\$ -	\$ 175,103	\$ 151
Equity securities - stocks	18	89,301	4,507	12,049	4,387	101,350	8,894
Equity securities - ETF's	18	118,471	30,659	186,969	9,875	305,440	40,534
<b>Total temporarily impaired securities</b>	<b>39</b>	<b>\$ 382,875</b>	<b>\$ 35,317</b>	<b>\$ 199,018</b>	<b>\$ 14,262</b>	<b>\$ 581,893</b>	<b>\$ 49,579</b>

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 6 – Property and Equipment**

The System's property and equipment were as follows as of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Land	\$ 209,374	\$ 209,374
Land improvements	132,162	132,162
Buildings and building improvements	2,878,539	2,878,539
Fixed equipment	2,011,337	1,950,323
Movable equipment	642,381	633,382
Total property and equipment	<u>5,873,793</u>	<u>5,803,780</u>
Less. accumulated depreciation and amortization	<u>(5,337,570)</u>	<u>(5,276,610)</u>
<b>Property and equipment, net</b>	<b><u>\$ 536,223</u></b>	<b><u>\$ 527,170</u></b>

**Note 7 – Operating Leases**

The System leases equipment under a noncancellable lease with a term extending beyond one year. The following is a schedule of future minimum lease payments under operating leases as of December 31, 2013

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	\$ 16,970
2015	13,765
2016	4,152
2017	4,152
2018	1,242
<b>Total minimum lease payments</b>	<b><u>\$ 40,281</u></b>

Lease expense incurred under operating leases was approximately \$15,728 and \$12,817 in 2013 and 2012, respectively

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 8 – Other Receivables and Accrued Expenses**

Certain items have been combined for reporting purposes into the other receivable and accrued expenses captions on the consolidated balance sheets. Those items consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<b>Other receivables</b>		
Physician receivables	\$ 122,588	\$ 145,321
Outpatient clinic	18,429	33,395
Accrued interest receivable on investments	5,142	3,773
Other receivables	8,412	293
	<u>154,571</u>	<u>182,782</u>
<b>Total</b>	<b>\$ 154,571</b>	<b>\$ 182,782</b>
<b>Accrued expenses payable</b>		
Accrued payroll and vacation	\$ 282,850	\$ 307,119
Deferred revenue - capital campaign	-	205,484
Outpatient clinic	122,588	145,321
Accrued retirement plan payable	35,334	89,692
Accrued health plan payable	30,000	27,163
Accrued payroll taxes payable	20,857	63,163
Other payable	42,579	40,604
	<u>534,208</u>	<u>878,546</u>
<b>Total</b>	<b>\$ 534,208</b>	<b>\$ 878,546</b>

**Note 9 – Restricted Net Assets and Endowments**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose:

	<u>2013</u>	<u>2012</u>
Purchase of medical equipment and medical research	\$ 3,122,843	\$ 2,457,172
Assistance to Levi Memorial Hospital	21,113	13,834
	<u>3,143,956</u>	<u>2,471,006</u>
<b>Total</b>	<b>\$ 3,143,956</b>	<b>\$ 2,471,006</b>

During 2013 and 2012, temporarily restricted net assets in the amount of \$17,030 and \$26,629, respectively, were released from donor restrictions by incurring expenses, satisfying the restricted purposes.

**LEVI HOSPITAL SYSTEM  
(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 9 – Restricted Net Assets and Endowments (Cont.)**

**Endowment Funds**

Endowment funds at December 31, 2013 and 2012 were restricted to investments to be held in perpetuity. The income from these investments are expendable for the support of Levi Memorial Hospital.

In 2009, an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) became effective in the state to whose laws the System is subject. The System has interpreted the law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The System's policy for appropriating distributions each year is based on budgeted needs and is approved by the Board annually. The System has approved an investment policy allowing assets to be invested in a manner that is intended to produce results that exceed the price and yield of the S&P Index. Assets whose investments are donor restricted to specific types of investments are invested in accordance with the donor's instructions. In the event that the fair value of assets associated with individual donor restricted endowment funds falls below the level the donor or UPMIFA requires to be maintained in perpetual duration, the deficiency will be reported in unrestricted net assets.

Endowment net assets composition by type of fund at December 31, 2013 and 2012 were as follows:

	December 31, 2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 21,113	\$ 1,472,924	\$ 1,494,037
<b>Total endowment funds</b>	<b>\$ -</b>	<b>\$ 21,113</b>	<b>\$ 1,472,924</b>	<b>\$ 1,494,037</b>

	December 31, 2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 13,834	\$ 1,499,779	\$ 1,513,613
<b>Total endowment funds</b>	<b>\$ -</b>	<b>\$ 13,834</b>	<b>\$ 1,499,779</b>	<b>\$ 1,513,613</b>

**LEVI HOSPITAL SYSTEM  
(Successor to Leo N. Levi Memorial Hospital Association)**

**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 9 – Restricted Net Assets and Endowments (Cont.)**

Changes in endowment net assets and balances by net asset type for the years ended December 31, 2013 and 2012 were as follows.

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
<b>Endowment net assets - December 31, 2012</b>	\$ -	\$ 13,834	\$ 1,499,779	\$ 1,513,613
Investment return				
Investment gain/(loss), net of expenses	-	7,279	(71)	7,208
Change in unrealized gains	-	-	(26,784)	(26,784)
Total investment return	-	7,279	(26,855)	(19,576)
Appropriation for expenditures	-	-	-	-
<b>Endowment net assets - December 31, 2013</b>	<u>\$ -</u>	<u>\$ 21,113</u>	<u>\$ 1,472,924</u>	<u>\$ 1,494,037</u>
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
<b>Endowment net assets - December 31, 2011</b>	\$ -	\$ 5,335	\$ 1,500,044	\$ 1,505,379
Investment return				
Investment gain/(loss), net of expenses	-	8,499	1,584	10,083
Change in unrealized gains	-	-	(1,849)	(1,849)
Total investment return	-	8,499	(265)	8,234
Appropriation for expenditures	-	-	-	-
<b>Endowment net assets - December 31, 2012</b>	<u>\$ -</u>	<u>\$ 13,834</u>	<u>\$ 1,499,779</u>	<u>\$ 1,513,613</u>

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 10 – Functional Expenses**

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

	<u>2013</u>	<u>2012</u>
Health care services	\$ 5,520,795	\$ 6,151,021
General and administrative	2,282,103	2,163,134
<b>Total expenses</b>	<b>\$ 7,802,898</b>	<b>\$ 8,314,155</b>

**Note 11 – Pension Plan**

The System has a defined contribution pension plan covering substantially all employees. Pension expense was \$11,605 and \$97,227 for 2013 and 2012, respectively.

**Note 12 – Investment in Affiliate**

The System formerly owned a 33% interest in Arkansas Homecare of Hot Springs, LLC, a home health agency operated by a subsidiary of LHC Group, Inc. The operating results of this company were accounted for using the equity method. On April 1, 2013, the System sold its interest in the joint venture for \$450,000.

During the year ended December 31, 2009, the System acquired a 33% interest in Hospice of Central Arkansas, LLC, a hospice agency operated by a subsidiary of LHC Group, Inc. The operating results of the company are accounted for using the equity method.

A summary of the financial positions and results of operations of Arkansas Homecare of Hot Springs, LLC and Hospice of Central Arkansas, LLC as of December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>	
	<u>Hospice of Central Arkansas, LLC</u>	<u>Arkansas Homecare of Hot Springs, LLC</u>	<u>Hospice of Central Arkansas, LLC</u>
Assets	\$ 341,269	\$ 2,670,025	\$ 212,725
Liabilities	(97,104)	(327,111)	(83,888)
<b>Equity</b>	<b>\$ 244,165</b>	<b>\$ 2,342,914</b>	<b>\$ 128,837</b>
Revenues	\$ 1,516,860	\$ 3,378,618	\$ 1,099,614
Expenses	(1,344,728)	(3,125,919)	(907,500)
<b>Net income</b>	<b>\$ 172,132</b>	<b>\$ 252,699</b>	<b>\$ 192,114</b>

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 12 – Investment in Affiliate (Cont.)**

It is the policy of the investee entities to distribute the Hospital's proportionate share of net earnings on a quarterly basis. At December 31, 2013 and 2012, the Hospital's undistributed net equity was \$12,497 and \$58,166, respectively.

**Note 13 – Medical Malpractice**

The System purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense if its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the System's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 14 – Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Credit Risk***

At December 31, 2013, the System's cash deposits at financial institutions totaled \$755,547. Of this amount, \$453,540 was covered by FDIC insurance and \$302,007 was uninsured and uncollateralized.

Due to higher cash flows at certain times during the year, the System's risks for uninsured and uncollateralized deposits could be higher or lower than at year end.

***Litigation***

In the normal course of business, the System is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the System's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The System evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. No such accrual has been recorded as of December 31, 2013 and 2012. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 15 – Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 820, Fair Value Measurements and Disclosures), provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

This authoritative guidance establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

**Level 1** – inputs to the valuation methodology are quoted prices for similar assets and liabilities in an active market.

**Level 2** – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability either directly or indirectly, for substantially the full term of the financial instrument.

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

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 15 – Fair Value Measurements (Cont.)**

The following table presents available for sale securities carried at fair value as of December 31, 2013 and 2012, by caption and the valuation hierarchy (as described above)

	<b>Assets at Fair Value as of December 31, 2013</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Available for Sale Securities</b>				
<b>Cash and short-term investments</b>	\$ 461,925	\$ -	\$ -	\$ 461,925
<b>Fixed income</b>				
U S Treasury obligations	124,702	-	-	124,702
Bonds and notes	1,212,306	-	-	1,212,306
<b>Common stocks</b>				
Consumer discretionary	525,755	-	-	525,755
Information technology	483,118	-	-	483,118
Health care	331,954	-	-	331,954
Industrials/materials	279,846	-	-	279,846
Financials	302,296	-	-	302,296
Energy	242,544	-	-	242,544
Telecommunication Services	68,329	-	-	68,329
Other	5,162	-	-	5,162
<b>Exchange traded funds</b>				
Consumer spending	158,026	-	-	158,026
Emerging markets	93,249	-	-	93,249
Energy	28,766	-	-	28,766
Financials	156,043	-	-	156,043
Foreign	283,992	-	-	283,992
Health care	45,738	-	-	45,738
Index	389,426	-	-	389,426
Industrials/materials	201,779	-	-	201,779
Natural resources	50,627	-	-	50,627
Real estate	44,156	-	-	44,156
Technology	59,865	-	-	59,865
Utilities	80,686	-	-	80,686
<b>Total available for sale securities</b>	<b>\$ 5,630,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,630,290</b>

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 15 – Fair Value Measurements (Cont.)**

	<b>Assets at Fair Value as of December 31, 2012</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Available for Sale Securities</b>				
<b>Cash and short-term investments</b>	\$ 396,910	\$ -	\$ -	\$ 396,910
<b>Fixed income</b>				
U.S Treasury obligations	134,962	-	-	134,962
Bonds and notes	1,054,224	-	-	1,054,224
<b>Common stocks</b>				
Consumer discretionary	439,994	-	-	439,994
Information technology	397,421	-	-	397,421
Health care	280,252	-	-	280,252
Industrials/materials	235,330	-	-	235,330
Financials	243,114	-	-	243,114
Energy	192,811	-	-	192,811
Telecommunication Services	73,030	-	-	73,030
Other	31,109	-	-	31,109
<b>Exchange traded funds</b>				
Consumer spending	115,860	-	-	115,860
Emerging markets	97,539	-	-	97,539
Energy	57,136	-	-	57,136
Financials	110,964	-	-	110,964
Foreign	232,961	-	-	232,961
Health care	29,910	-	-	29,910
Index	329,757	-	-	329,757
Industrials	81,485	-	-	81,485
Natural resources	95,964	-	-	95,964
Real estate	40,419	-	-	40,419
Technology	41,832	-	-	41,832
Utilities	58,492	-	-	58,492
<b>Total available for sale securities</b>	<b><u>\$ 4,771,476</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,771,476</u></b>

Fair values for short-term and long-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions

**LEVI HOSPITAL SYSTEM**  
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**Notes to Consolidated Financial Statements**

**December 31, 2013 and 2012**

**Note 15 – Fair Value Measurements (Cont.)**

Information regarding the maturities and credit quality of the System's debt securities as of December 31, 2013 and 2012 were as follows

	<u>2013</u>	<u>2012</u>
<b>Maturities of fixed income</b>		
Less than 1 year	\$ 226,404	\$ 100,652
1 to 5 years	915,900	854,913
5 to 10 years	194,704	190,608
More than 10 years	-	43,013
	<hr/>	<hr/>
<b>Total</b>	<b><u>\$ 1,337,008</u></b>	<b><u>\$ 1,189,186</u></b>
 <b>Credit quality</b>		
AA	\$ 1,212,306	\$ 1,054,224
Not rated	124,702	134,962
	<hr/>	<hr/>
<b>Total</b>	<b><u>\$ 1,337,008</u></b>	<b><u>\$ 1,189,186</u></b>

**Note 16 – Employee Health Claims**

The Hospital is self-insured for its employee health plan. Commercial stop-loss insurance is purchased for claims in excess of the attachment point of the policy. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. Activity occurring in the health plan during the years ended December 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
<b>Balance, beginning of year</b>	\$ 27,163	\$ 8,744
Claims incurred and changes in estimates	250,251	296,240
Claims and expenses paid	<u>(247,414)</u>	<u>(277,821)</u>
<b>Balance, end of year</b>	<b><u>\$ 30,000</u></b>	<b><u>\$ 27,163</u></b>

**Note 17 – Subsequent Events**

The System's management has evaluated subsequent events in accordance with Accounting Standards Update (ASU) No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements*, through June 10, 2014, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY  
INFORMATION**

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**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Consolidating Schedule – Balance Sheet Information**

**December 31, 2013**

	<u>Levi Memorial Hospital</u>	<u>Levi Endowment Foundation</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated Totals</u>
<b><u>Assets</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 474,598	\$ 203,340	\$ -	\$ 677,938
Short-term investments	-	1,017,467	-	1,017,467
Patient accounts receivable, net of estimated uncollectibles	538,560	-	-	538,560
Notes receivable, current portion	-	-	-	-
Other receivables	270,258	288,737	(404,424)	154,571
Prepaid expenses	12,006	-	-	12,006
Inventories	114,287	-	-	114,287
<b>Total current assets</b>	<u>1,409,709</u>	<u>1,509,544</u>	<u>(404,424)</u>	<u>2,514,829</u>
<b>Long-term investments</b>	<u>-</u>	<u>4,612,823</u>	<u>-</u>	<u>4,612,823</u>
<b>Property and equipment</b> , net of accumulated depreciation and amortization	<u>536,223</u>	<u>-</u>	<u>-</u>	<u>536,223</u>
<b>Other non-current assets</b>				
Stamp collection	100,000	-	-	100,000
Land held for sale	963,356	-	-	963,356
Investment in affiliates	45,497	-	-	45,497
<b>Total other non-current assets</b>	<u>1,108,853</u>	<u>-</u>	<u>-</u>	<u>1,108,853</u>
<b>Total assets</b>	<u>\$ 3,054,785</u>	<u>\$ 6,122,367</u>	<u>\$ (404,424)</u>	<u>\$ 8,772,728</u>
<b><u>Liabilities and Net Assets</u></b>				
<b>Current liabilities</b>				
Accounts payable	\$ 401,050	\$ 4,539	\$ -	\$ 405,589
Accrued expenses payable	813,746	124,886	(404,424)	534,208
Estimated third-party settlements	61,370	-	-	61,370
<b>Total current liabilities</b>	<u>1,276,166</u>	<u>129,425</u>	<u>(404,424)</u>	<u>1,001,167</u>
<b>Total liabilities</b>	<u>1,276,166</u>	<u>129,425</u>	<u>(404,424)</u>	<u>1,001,167</u>
<b>Net assets</b>				
Unrestricted	1,778,619	1,376,062	-	3,154,681
Temporarily restricted	-	3,143,956	-	3,143,956
Permanently restricted	-	1,472,924	-	1,472,924
<b>Total net assets</b>	<u>1,778,619</u>	<u>5,992,942</u>	<u>-</u>	<u>7,771,561</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,054,785</u>	<u>\$ 6,122,367</u>	<u>\$ (404,424)</u>	<u>\$ 8,772,728</u>

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**

**Consolidating Schedule – Balance Sheet Information**

**December 31, 2012**

	<u>Levi Memorial Hospital</u>	<u>Levi Endowment Foundation</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated Totals</u>
<b><u>Assets</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 930,610	\$ 495,994	\$ -	\$ 1,426,604
Short-term investments	-	804,464	-	804,464
Patient accounts receivable, net of estimated uncollectibles	786,790	-	-	786,790
Notes receivable, current portion	-	-	-	-
Other receivables	390,999	283,311	(491,528)	182,782
Prepaid expenses	7,579	758	-	8,337
Inventories	114,156	-	-	114,156
<b>Total current assets</b>	<b>2,230,134</b>	<b>1,584,527</b>	<b>(491,528)</b>	<b>3,323,133</b>
<b>Long-term investments</b>	<b>-</b>	<b>3,967,012</b>	<b>-</b>	<b>3,967,012</b>
<b>Property and equipment</b> , net of accumulated depreciation and amortization	<b>527,170</b>	<b>-</b>	<b>-</b>	<b>527,170</b>
<b>Other non-current assets</b>				
Stamp collection	100,000	-	-	100,000
Land held for sale	963,356	-	-	963,356
Investment in affiliates	291,166	-	-	291,166
<b>Total other non-current assets</b>	<b>1,354,522</b>	<b>-</b>	<b>-</b>	<b>1,354,522</b>
<b>Total assets</b>	<b>\$ 4,111,826</b>	<b>\$ 5,551,539</b>	<b>\$ (491,528)</b>	<b>\$ 9,171,837</b>
<b><u>Liabilities and Net Assets</u></b>				
<b>Current liabilities</b>				
Accounts payable	\$ 382,987	\$ 211,990	\$ (211,990)	\$ 382,987
Accrued expenses payable	952,599	205,485	(279,538)	878,546
Estimated third-party settlements	342,378	-	-	342,378
<b>Total current liabilities</b>	<b>1,677,964</b>	<b>417,475</b>	<b>(491,528)</b>	<b>1,603,911</b>
<b>Total liabilities</b>	<b>1,677,964</b>	<b>417,475</b>	<b>(491,528)</b>	<b>1,603,911</b>
<b>Net assets</b>				
Unrestricted	2,433,862	1,163,279	-	3,597,141
Temporarily restricted	-	2,471,006	-	2,471,006
Permanently restricted	-	1,499,779	-	1,499,779
<b>Total net assets</b>	<b>2,433,862</b>	<b>5,134,064</b>	<b>-</b>	<b>7,567,926</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,111,826</b>	<b>\$ 5,551,539</b>	<b>\$ (491,528)</b>	<b>\$ 9,171,837</b>

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended December 31, 2013**

	<u>Levi Memorial Hospital</u>	<u>Levi Endowment Foundation</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated Totals</u>
<b>Revenues, gains and other support</b>				
Patient service revenue, net of contractual discounts and allowances	\$ 6,054,288	\$ -	\$ -	\$ 6,054,288
Provision for uncollectible accounts	(799,798)	-	-	(799,798)
Net patient service revenue, less provision for uncollectible accounts	5,254,490	-	-	5,254,490
Other operating revenue	1,167,047	-	(60,000)	1,107,047
Contributions	-	429,550	-	429,550
Investment return	-	899,720	(899,720)	-
<b>Total revenues, gains and other support</b>	<u>6,421,537</u>	<u>1,329,270</u>	<u>(959,720)</u>	<u>6,791,087</u>
<b>Operating expenses</b>				
Salaries and wages	4,304,144	84,223	-	4,388,367
Employee benefits	611,696	-	-	611,696
Supplies and other expenses	2,621,189	386,169	(265,484)	2,741,874
Depreciation and amortization expense	60,961	-	-	60,961
<b>Total operating expenses</b>	<u>7,597,990</u>	<u>470,392</u>	<u>(265,484)</u>	<u>7,802,898</u>
<b>Operating income (loss)</b>	<u>(1,176,453)</u>	<u>858,878</u>	<u>(694,236)</u>	<u>(1,011,811)</u>
<b>Nonoperating revenues (expenses)</b>				
Contributions	205,484	-	(205,484)	-
Equity in income of investees	65,726	-	-	65,726
Interest income	-	-	-	-
Investment return - marketable securities	-	-	204,788	204,788
Gain on sale of equity in investee	250,000	-	-	250,000
<b>Total nonoperating revenues (expenses)</b>	<u>521,210</u>	<u>-</u>	<u>(696)</u>	<u>520,514</u>
<b>Excess (deficit) of revenues over expenses</b>	<u>(655,243)</u>	<u>858,878</u>	<u>(694,932)</u>	<u>(491,297)</u>
<b>Change in unrealized gain/(loss) on other than trading securities</b>	<u>-</u>	<u>-</u>	<u>694,932</u>	<u>694,932</u>
<b>Increase (decrease) in net assets</b>	<u>(655,243)</u>	<u>858,878</u>	<u>-</u>	<u>203,635</u>
<b>Net assets, beginning of period</b>	<u>2,433,862</u>	<u>5,134,064</u>	<u>-</u>	<u>7,567,926</u>
<b>Net assets, end of period</b>	<u>\$ 1,778,619</u>	<u>\$ 5,992,942</u>	<u>\$ -</u>	<u>\$ 7,771,561</u>

**LEVI HOSPITAL SYSTEM**  
**(Successor to Leo N. Levi Memorial Hospital Association)**  
**Consolidating Schedule – Statement of Operations Information**  
**Year Ended December 31, 2012**

	<u>Levi Memorial Hospital</u>	<u>Levi Endowment Foundation</u>	<u>Eliminations and Adjustments</u>	<u>Consolidated Totals</u>
<b>Revenues, gains and other support</b>				
Patient service revenue, net of contractual discounts and allowances	\$ 7,253,907	\$ -	\$ -	\$ 7,253,907
Provision for uncollectible accounts	(759,503)	-	-	(759,503)
Net patient service revenue, less provision for uncollectible accounts	6,494,404	-	-	6,494,404
Other operating revenue	1,197,229	-	(60,000)	1,137,229
Contributions	-	160,349	-	160,349
Investment return	-	335,687	(335,687)	-
<b>Total revenues, gains and other support</b>	<u>7,691,633</u>	<u>496,036</u>	<u>(395,687)</u>	<u>7,791,982</u>
<b>Operating expenses</b>				
Salaries and wages	4,614,167	85,945	-	4,700,112
Employee benefits	772,094	-	-	772,094
Supplies and other expenses	2,684,964	294,786	(191,621)	2,788,129
Depreciation and amortization expense	53,820	-	-	53,820
<b>Total operating expenses</b>	<u>8,125,045</u>	<u>380,731</u>	<u>(191,621)</u>	<u>8,314,155</u>
<b>Operating income (loss)</b>	<u>(433,412)</u>	<u>115,305</u>	<u>(204,066)</u>	<u>(522,173)</u>
<b>Nonoperating revenues (expenses)</b>				
Contributions	131,621	-	(131,621)	-
Equity in income of investees	146,789	-	-	146,789
Interest income	8,985	-	-	8,985
Investment return - marketable securities	-	-	80,493	80,493
Gain on sale of equity in investee	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>287,395</u>	<u>-</u>	<u>(51,128)</u>	<u>236,267</u>
<b>Excess (deficit) of revenues over expenses</b>	<u>(146,017)</u>	<u>115,305</u>	<u>(255,194)</u>	<u>(285,906)</u>
<b>Change in unrealized gain/(loss) on other than trading securities</b>	-	-	255,194	255,194
<b>Increase (decrease) in net assets</b>	<u>(146,017)</u>	<u>115,305</u>	<u>-</u>	<u>(30,712)</u>
<b>Net assets, beginning of period</b>	<u>2,579,879</u>	<u>5,018,759</u>	<u>-</u>	<u>7,598,638</u>
<b>Net assets, end of period</b>	<u>\$ 2,433,862</u>	<u>\$ 5,134,064</u>	<u>\$ -</u>	<u>\$ 7,567,926</u>