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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2008

Open to Public Inspection

A For the 2008 calendar year, or tax year beginning 07-01-2008 and ending 06-30-2009

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

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 501 Summit Street | Room/suite

City or town, state or country, and ZIP + 4
Yankton, SD 57078

D Employer identification number
46-0225483

E Telephone number
(605) 668-8000

G Gross receipts $ 81,082,959

F Name and address of Principal Officer
Pamela Rezac
501 Summit Street
Yankton, SD 57078

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

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

H(c) Group Exemption Number ▶ 0928

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

J Web site: ▶ www averasacredheart com

K Type of organization ☑ Corporation ☐ trust ☐ association ☐ other ▶

L Year of Formation 1911

M State of legal domicile SD

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
Promotion of Health

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	12
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	10
5	Total number of employees (Part V, line 2a)	5	995
6	Total number of volunteers (estimate if necessary)	6	405
7a	Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	0
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0

		Prior Year	Current Year
Revenue 8	Contributions and grants (Part VIII, line 1h)	127,521	308,210
9	Program service revenue (Part VIII, line 2g)	72,020,381	78,863,712
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	8,549,830	1,443,577
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	181,015	256,350
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	80,878,747	80,871,849
Expenses 13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	583,535	271,095
14	Benefits paid to or for members (Part IX, column (A), line 4)		0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	33,639,911	41,012,497
16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
b	(Total fundraising expenses, Part IX, column (D), line 25 0)		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	34,007,135	32,298,762
18	Total expenses—add lines 13–17 (must equal Part IX, line 25, column (A))	68,230,581	73,582,354
19	Revenue less expenses Subtract line 18 from line 12	12,648,166	7,289,495

		Beginning of Year	End of Year
Net Assets or Fund Balances 20	Total assets (Part X, line 16)	204,027,403	197,400,958
21	Total liabilities (Part X, line 26)	26,337,342	27,562,709
22	Net assets or fund balances Subtract line 21 from line 20	177,690,061	169,838,249

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Please Sign Here

****** — Signature of officer — 2010-05-12 Date

Pamela Rezac CEO — Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ Kim Hunwardsen CPA	Date 2010-05-12	Check if self-empolyed ▶ ☐	Preparer's PTIN (See Gen Inst)
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Eide Bailly LLP, 5601 Green Valley Drive Ste 700, Minneapolis, MN 554371145			EIN ▶ Phone no ▶ (952) 944-6166

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

Part III Statement of Program Service Accomplishments (See the instructions.)

1 Briefly describe the organization's mission

Avera is a health ministry rooted in the Gospel Our mission is to make a positive impact in the lives and health of persons and communities by providing quality services guided by Christian values

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 exempt purpose achievements for each of the organization's three largest program services by expenses Section 501(c)(3) and (4) organizations and 4947(a)(1) trusts 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 $ 56,797,689 including grants of $ 271,095) (Revenue $ 78,863,712)

Avera Sacred Heart Hospital (Sacred Heart Health Services) leads delivery of healthcare to its region through over 995 employees (as well as 63 physicians on its active medical staff) which coordinate care to deliver patient care as an integrated unit Avera Sacred Heart and its affiliates (referred to collectively as Avera Sacred Heart Health Services) also work seamlessly to meet the needs of the communities they serve in southeast South Dakota and northeast Nebraska In addition, Avera Sacred Heart includes two nursing homes and a congregate housing facility It also manages three hospitals and two nursing homes Avera Sacred Heart operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established for Avera Health, a sponsored health ministry of the Benedictine and Presentation Sisters Avera Sacred Heart engages in activities designed to improve the health of the individuals and communities that it serves in response to a calling to heal the sick, the elderly and the oppressed Requirements of the IRS community benefit standard for tax-exempt organizations are integral to Avera Sacred Heart Hospital's larger charitable mission of improving health and quality of life Specifically, Avera Sacred Heart is governed by an independent board including community leaders, business and clinical healthcare experts The Board has a history of commitment to act with the highest integrity and has been proactively evaluating opportunities to voluntarily adopt governance best practices for the benefit of the community Avera Sacred Heart makes medical care accessible to the entire community it serves regardless of ability to pay, of which there were 14,565 hospital patient days and 66,748 nursing home resident days in FY'09 Avera Sacred Heart operates a full-time emergency department, which provides emergency care regardless of ability to pay In August 2006, Avera Sacred Heart opened a new, state-of-the-art Emergency Department, which provides faster service and more privacy for patients In FY '09, there were 9,676 visits In 2009, the Avera Sacred Heart Hospital Emergency Department was awarded the Summit Award from Press Ganey & Associates for maintaining patient satisfaction scores at the 99th percentile in the nation over a period of three consecutive years Avera Sacred Heart provides clinical services needed to operate the Emergency Center and provides on-site emergency medical, rescue and medical transportation services In addition, Avera Sacred Heart, through its integrated network of providers, provides non-emergency services to the community it serves It makes these services accessible to the community through participation in government programs like Medicare and Medicaid, regardless of ability to pay Avera Sacred Heart's charity care policy provides discounted and free services to patients who lack the resources to be fully responsible for the health care they receive The charity care policy is designed to ensure the entire community served by Avera Sacred Heart has access to needed healthcare services The Avera Sacred Heart Board of Directors oversees services delivered under the charity care policy including assessing community needs, approving eligibility criteria and monitoring the effectiveness of the program in providing community access to medical care Eligibility for discounted or free services under the charity care policy is based on income levels and family size In addition, an automatic discount off charges is provided to any patient that is determined to not have insurance of any type Applications for coverage under the program may be obtained at any Avera Sacred Heart patient registration area or by calling the Avera Sacred Heart Business Office Avera Sacred Heart maintains records to identify and monitor the level of care provided under the charity care policy Avera Sacred Heart had charges forgone for charity for the year ended June 30, 2009 of approximately $1,544,071 Avera Sacred Heart takes its mission to improve the health and quality of life of the people it serves a step further by reaching out to meet the broad health needs of the community It strives to identify community needs beyond basic health care, respond to them, aiming to make a positive, life-enhancing difference in the community Avera Sacred Heart takes a strategic, community needs-based approach to delivering benefits to the community Avera Sacred Heart Hospital demonstrates its commitment to providing community benefit through specific accomplishments E-Technology Avera Sacred Heart started with its eICU program three years ago eICU is a telemedicine-based system that aids in the care of ICU patients at Avera Sacred Heart and across the Avera system Patients receive constant, around-the-clock monitoring and interventions from a remote care team in addition to the care they receive from their bedside team In addition, Avera Sacred Heart Hospital, along with St Michael's Hospital/Avera and Wagner Community Memorial Hospital/Avera, has launched an eStroke program that will enable patients suffering strokes to be more quickly diagnosed and treated through the use of telemedicine Teaching Hospital Avera Sacred Heart is a teaching hospital, which reflects a strong commitment to education, research and a high level of care In the summer of 2007, the hospital opened the new Avera Professional Office Pavilion & Education Center to enhance their commitment to medical education The Avera Pavilion is the new home of the unique Yankton Ambulatory Program for the third-year medical students of the Sanford School of Medicine of The University of South Dakota The program challenges medical students to solve clinical problems and experience the doctor-patient relationship through the year Yankton is only one of three communities in the state where a campus is provided for the Sanford School of Medicine The office for the Dean of the Yankton Ambulatory Program of the Avera Sacred Heart Yankton Campus is now located on the first floor of the Pavilion Study space for the medical students is adjacent to the ASHH Medical Library A unique component to the Pavilion is the expansion and enhancement of educational facilities Along with a 116-seat auditorium, there are also three conference rooms, all equipped with the latest in audiovisual technology Residency/Health Professions Training At any one time, 10 to 15 Sanford School of Medicine of The University of South Dakota residents are in training at Avera Sacred Heart Hospital In addition, students in nursing, pharmacy, physician assistant programs, radiology and respiratory therapy also affiliate here Avera Sacred Heart also has a Radiologic Technologist School, which graduates 6 to 8 new radiologic technologists each year Preventive Care a Priority Avera Sacred Heart has taken steps to enhance preventive care for people of all ages through the many educational programs, health screenings and fairs that are held throughout the year Avera Sacred Heart holds screenings throughout the region at their rural health clinics as well as in Yankton The hospital is now connected to the Ask-A-Nurse program that provides general information concerning health-related topics Our web site incorporates the 'ADAM' software that provides a unique level of health-related information to the consumer In 2009, Avera Sacred Heart Hospital introduced Planet Heart (in conjunction with the Avera Heart Hospital) and an in-house cardiovascular screening package to keep the people we served better informed about their health Based on community needs, we are continually striving to provide more preventative tools and risk assessments to our population (continued on page 8 of Schedule O)

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 $ 56,797,689 *Must equal Part IX, Line 25, column (B).*

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	Section 501(c)(3) organizations Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? *If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11	Yes	
12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12	Yes	
13	Is the organization a school as described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the U S ?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the U S ? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		No
17	Did the organization report more than $15,000 on Part IX, column (A), line 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20	Yes	
21	Did the organization report more than $5,000 on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	Yes	
22	Did the organization report more than $5,000 on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? *If "Yes," complete Schedule J*	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to question 25*	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		No
b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? *If "Yes," complete Schedule L, Part I*	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		No

Part IV Checklist of Required Schedules *(Continued)*

			Yes	No
28	During the tax year, did any person who is a current or former officer, director, trustee, or key employee			
a	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	Have a family member who had a direct or indirect business relationship with the organization? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	**34**	Yes	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35**	Yes	
36	501(c)(3) organizations Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5 percent of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No

Part V Statements Regarding Other IRS Filings and Tax Compliance

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, *Annual Summary and Transmittal of U.S. Information Returns. Enter -0-* if not applicable	1a	93		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	995		
b	If at least one is reported in 2a, did the organization file all required federal employment tax returns? **Note:** *If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return.*	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	3a			No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b			
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country _____ See the instructions for exceptions and filing requirements for **Form TD F 90-22.1,** *Report of Foreign Bank and Financial Accounts.*				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to 5a or 5b, did the organization file Form 8886-T, *Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?*	5c			
6a	Did the organization solicit any contributions that were not tax deductible?	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	*Organizations that may receive deductible contributions under section 170(c).*				
a	Did the organization provide goods or services in exchange for any quid pro quo contribution of $75 or more?	7a			No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f			No
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?	7h			
8	*Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.* Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	*Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.*				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	*Section 501(c)(7) organizations.* Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	Section 501(c)(12) organizations Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	*Section 4947(a)(1) non-exempt charitable trusts.* Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			

Part VI Governance, Management, and Disclosure *(Sections A, B, and C request information about policies not required by the Internal Revenue Code.)*

Section A. Governing Body and Management

			Yes	No
	For each "Yes" response to lines 2-7 below, and for a "No" response to lines 8 or 9b below, describe the circumstances, processes, or changes in Schedule O. See instructions.			
1a	Enter the number of voting members of the governing body . .	1a 12		
b	Enter the number of voting members that are independent . .	1b 10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .	3		No
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed? . .	4		No
5	Did the organization become aware during the year of a material diversion of the organization's assets? . .	5		No
6	Does the organization have members or stockholders?	6	Yes	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	Yes	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	the governing body?	8a	Yes	
b	each committee with authority to act on behalf of the governing body?	8b	Yes	
9a	Does the organization have local chapters, branches, or affiliates?	9a		No
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	9b		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990	10	Yes	
11	Is there any officer, director or 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	11		No

Section B. Policies

			Yes	No
12a	Does the organization have a written conflict of interest policy? *If "No", go to line 13* . .	12a	Yes	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c	Yes	
13	Does the organization have a written whistleblower policy?	13	Yes	
14	Does the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision			
a	The organization's CEO, Executive Director, or top management official?	15a		No
b	Other officers or key employees of the organization?	15b	Yes	
	Describe the process in Schedule O			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable Federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

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

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

☐ own website ☐ another's website ☑ upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

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

Dave Timpe
501 S Summit St
Yankton, SD 57078
(605) 668-8776

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

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

1a Complete this table for all persons required to be listed Use Schedule J-2 if additional space is needed
* List all of the organization's **current** officers, directors, trustees (whether individuals or organizations) and key employees regardless of amount of compensation, and current key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid

* 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 the organization did not compensate any officer, director, trustee or key employee

(A) Name and Title	**(B)** Average hours per week	**(C)** Position (check all that apply)						**(D)** Reportable compensation from the organization (W-2/1099MISC)	**(E)** Reportable compensation from related organizations (W- 2/1099-MISC)	**(F)** Estimated amount of other compensation from the organization and related organizations
		Individual Trustee or Director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			

Part VII Continued

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual Trustee or Director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
1b Total ▶								1,953,506	588,695	195,352

2 Total number of individuals (including those in 1a) who received more than $100,000 in reportable compensation from the organization ▶ 27

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Avera Health 3900 West Avera Drive Sioux Falls, SD 57108	Shared services	2,797,342
Yankton Anesthesiology 1000 W 4th Street Suite 13 Yankton, SD 57078	Medical services	1,425,624
Avera McKennan Hospital 800 East 21st Street PO Box 5045 Sioux Falls, SD 57105	Medical services	524,396
Aureus Radiology LLC 13609 California St Omaha, NE 68154	Nursing staff	501,032
Avera EducationStaffing 1000 W 4th Street Suite 9 Yankton, SD 57078	Nursing staff	481,094

2 Total number of independent contractors (including those in 1) who received more than $100,000 in compensation from the organization ▶ 18

Part VIII Statement of Revenue

			(A) Total Revenue	(B) Related or Exempt Function Revenue	(C) Unrelated Business Revenue	(D) Revenue Excluded from Tax under IRC 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations 1d 15,663				
	e	Government grants (contributions) 1e 260,284				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f 32,263				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total (Add lines 1a-1f)** ▶	308,210			
Program Service Revenue		Business Code				
	2a	Net patient service re 621,500	76,940,513	76,940,513		
	b	Nonmedical outreach 900,099	1,291,775	1,291,775		
	c	Gain from affiliates 900,099	939,299	939,299		
	d	Other revenue 900,099	300,313	300,313		
	e	Rental income from rel 531,120	51,248	51,248		
	f	All other program service revenue	-659,436	-659,436		
	g	**Total. Add lines 2a-2f** ▶ $ 78,863,712				
	3	Investment income (including dividends, interest other similar amounts) ▶	263,332			263,332
	4	Income from investment of tax-exempt bond proceeds ▶				
	5	Royalties				
		(i) Real / (ii) Personal				
	6a	Gross Rents 379,363				
	b	Less rental expenses 123,013				
	c	Rental income or (loss) 256,350				
	d	Net rental income or (loss) ▶	256,350			256,350
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory 1,236,342 / 32,000				
	b	Less cost or other basis and sales expenses 88,097				
	c	Gain or (loss) 1,236,342 / -56,097				
	d	Net gain or (loss) ▶	1,180,245			1,180,245
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 *Attach Schedule G if total exceeds $15,000* a				
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events ▶				
	9a	Gross income from gaming activities See part IV, line 19 *Complete Schedule G if total exceeds $15,000* a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities ▶				
	10a	Gross sales of inventory, less returns and allowances a				
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory ▶				
		Miscellaneous Revenue / Business Code				
	11a					
	b					
	c					
	d	All other revenue				
	e	**Total. Add lines 11a-11d** ▶ $				
	12	**Total Revenue.** Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e ▶	80,871,849	78,863,712	0	1,699,927

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) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	271,095	271,095		
2 Grants and other assistance to individuals in the U S See Part IV, line 22				
3 Grants and other assistance to governments, organizations and individuals outside the U S See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	965,923	253,165	712,758	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	32,561,243	25,817,852		
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,076,888	853,921	222,967	
9 Other employee benefits	4,324,326	3,403,178	921,148	
10 Payroll taxes	2,084,117	1,616,210	467,907	
11 Fees for services (non-employees)				
a Management				
b Legal				
c Accounting	30,239		30,239	
d Lobbying				
e Professional fundraising *See Part IV, line 17*				
f Investment management fees				
g Other	7,222,293	3,296,779	3,925,514	
12 Advertising and promotion	428,303	836	427,467	
13 Office expenses	6,830,114	5,388,051	1,442,063	
14 Information technology				
15 Royalties				
16 Occupancy	1,690,483	210,625	1,479,858	
17 Travel	215,682	152,632	63,050	
18 Payments of travel or entertainment expenses for any Federal, state or local public officials				
19 Conferences, conventions and meetings	337,078	82,995	254,083	
20 Interest	766,691	746,803	19,888	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	6,683,206	6,683,206		
23 Insurance	683,489	683,489		
24 Other expenses—Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below)				
a Provision for income ta	40,302	40,302		
b Medical Supplies	5,954,881	5,954,881		
c Bad Debt	1,137,819	1,137,819		
d Grant program expenditu	134,702	134,702		
e Equipment Lease and Ren	75,217	885	74,332	
f All other expenses	68,263	68,263		
25 **Total functional expenses.** Add lines 1 through 24f	73,582,354	56,797,689	16,784,665	0
26 **Joint Costs.** Check ☐ if following SOP 98-2 Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		325,389	2	604,412
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		9,828,770	4	12,763,654
	5	Receivables from current and former officers, directors, trustees, key employees or other related parties *Complete Part II of Schedule L*			5	9,070
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) *Complete Part II of Schedule L*			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		644,989	8	640,002
	9	Prepaid expenses and deferred charges		187,248	9	187,953
	10a	Land, buildings, and equipment cost basis	10a 118,520,573			
	b	Less accumulated depreciation *Complete Part VI of Schedule D*	10b 66,061,792	55,415,616	10c	52,458,781
	11	Investments—publicly traded securities		117,426,704	11	10,273,632
	12	Investments—other securities See Part IV, line 11 *Complete Part VII of Schedule D*		17,831,263	12	119,022,334
	13	Investments—program-related See Part IV, line 11 *Complete Part VIII of Schedule D*		290,720	13	398,174
	14	Intangible assets			14	695,902
	15	Other assets See Part IV, line 11 *Complete Part IX of Schedule D*		2,076,704	15	347,044
	16	**Total assets.** *Add lines 1 through 15 (must equal line 34)*		204,027,403	16	197,400,958
Liabilities	17	Accounts payable and accrued expenses		8,046,406	17	8,409,746
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		16,462,886	20	16,083,481
	21	Escrow account liability *Complete Part IV of Schedule D*			21	
	22	Payable to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable			24	
	25	Other liabilities *Complete Part X of Schedule D*		1,828,050	25	3,069,482
	26	**Total liabilities.** *Add lines 17 through 25*		26,337,342	26	27,562,709
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		166,972,406	27	159,753,003
	28	Temporarily restricted net assets		10,272,969	28	9,628,990
	29	Permanently restricted net assets		444,686	29	456,256
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		177,690,061	33	169,838,249
	34	Total liabilities and net assets/fund balances		204,027,403	34	197,400,958

Part XI Financial Statements and Reporting

				Yes	No
1	Accounting method used to prepare the Form 990	☐ cash ☑ accrual ☐ other			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		2a		No
b	Were the organization's financial statements audited by an independent accountant?		2b	Yes	
c	If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?		2c	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		3a		No
b	If "Yes," did the organization undergo the required audit or audits?		3b		

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

To be completed by all section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts.
Attach to Form 990 or Form 990-EZ. See separate instructions.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Part I Reason for Public Charity Status (to be completed by all organizations) (See Instructions)

The organization is not a private foundation because it is (Please check only **one** organization)

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).** (Attach Schedule H)

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

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

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

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

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

9 ☐ An organization that normally receives (1) more than 331/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 331/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **Section 509(a)(2).** (Complete Part III)

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

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 - Other

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

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

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

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

h Provide the following information about the organizations the organization supports

(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 support?
			Yes	**No**	**Yes**	**No**	**Yes**	**No**	
Total									

Part II **Support Schedule for Organizations Described in IRC 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.)

Public Support

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add line 1-3						
5 The portion of total contribution by each person (other than a government unit or publicly supported organization) included on line 1 that exceed 2% of the amount shown on line 11, column (f)						
6 **Public Support** subtract line 5 from line 4						

Total Support

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total Support** (Add lines 7 through 10)						

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

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

Computation of Public Support Percentage

14 Public Support Percentage for 2008 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2007 Schedule A, Part IV-A, line 26f **15**

16a **33 1/3% Test - 2008.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶

b **33 1/3% Test - 2007.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶

17a **10% Facts and Circumstances Test - 2008.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶

b **10% Facts and Circumstances Test - 2007.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶

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

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

(Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total** Add lines 1-5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the total of lines 9, 10c, 11, and 12 for the year or $5,000						
c Total of lines 7a and 7b						
8 **Public Support** (Substract line 7c from line 6)						

Total Support

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after 30 June, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total Support** (Add lines 9, 10c, 11 and 12)						

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

Computation of Public Support Percentage

15	Public Support Percentage for 2008 (line 8 column (f) divided by line 13 column (f))	15
16	Public Support Percentage for 2007 Schedule A, Part IV-A, line 27g	16

Computation of Investment Income Percentage

17	Investment Income Percentage for **2008** (line 10c column (f) divided by line 13 column (f))	17
18	Investment Income Percentage from **2007** Schedule A, Part IV-A, line 27h	18

19a **33 1/3% Tests - 2008.** 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% Tests - 2007.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ☐

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

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

Facts and Circumstances Test

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

To be completed by organizations described below. Attach to Form 990 or Form 990-EZ

OMB No 1545-0047

2008

Open to Public Inspection

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

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

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

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

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax)

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

Name of the organization	Employer identification number
Sacred Heart Health Services Avera Sacred Heart Hospital	46-0225483

Part I-A **To be completed by all organizations exempt under section 501(c) and section 527 organizations.** (See the instructions for Schedule C for details.)

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

2 Political expenditures $ _____

3 Volunteer hours _____

Part I-B **To be completed by all organizations exempt under section 501(c)(3).** (See the instructions for Schedule C for details.)

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

Part I-C **To be completed by all organizations exempt under section 501(c), except section 501(c)(3).** (See the instructions for Schedule C for details.)

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

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

3 Total of direct and indirect exempt function expenditures Add lines 1 and 2 and enter here and on Form 1120-POL, line 17b $ _____

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

5 State the names, addresses and Employer Identification Number (EIN) of all section 527 political organizations to which payments were made Enter the amount paid and indicate if the amount was paid from the filing organization's own internal funds or were political contributions received and promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

Part II-A **To be completed by organizations exempt under section 501(c)(3) that filed Form 5768 (election under section 501(h)).** (See the instructions for Schedule C for details.)

A Check ☐ if the filing organization belongs to an affiliated group
B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures— (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b	Total lobbying expenditures to influence a legislative body (direct lobbying)		
c	Total lobbying expenditures (add lines 1a and 1b)		
d	Other exempt purpose expenditures		
e	Total exempt purpose expenditures (add lines 1c and 1d)		
f	Lobbying nontaxable amount Enter the amount from the following table in both columns—		

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

g	Grassroots nontaxable amount (enter 25% of line 1f)		
h	Subtract line 1g from line 1a Enter -0- if line g is more than line a		
i	Subtract line 1f from line 1c Enter -0- if line f is more than line c		

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

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 1a through 1f of the instructions.)

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)		(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) Total
2a	Lobbying non-taxable amount					
b	Lobbying ceiling amount (150% of line 2a, column(e))					
c	Total lobbying expenditures					
d	Grassroots non-taxable amount					
e	Grassroots ceiling amount (150% of line d, column (e))					
f	Grassroots lobbying expenditures					

Part II-B **To be completed by organizations exempt under section 501(c)(3) that have NOT filed Form 5768 (election under section 501(h)).** (See the instructions for Schedule C for details.)

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines c through i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		31,958
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means?		No	
i	Other activities If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			31,958
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes" enter the amount of any tax incurred under section 4912			
c	If "Yes" enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A **To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).** (See the instructions for Schedule C for details.)

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

Part III-B **To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, questions 1 and 2 are answered "No" OR if Part III-A, question 3 is answered "Yes."** (See the instructions for Schedule C for details.)

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

Part IV **Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1i Also, complete this part for any additional information

Identifier	Return Reference	Explanation

Part IV Supplemental Information

Identifier	Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.**

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure) ☐ Preservation of an historically importantly land area
☐ Protection of natural habitat ☐ Preservation of certified historic structure
☐ Preservation of open space

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

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

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

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

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

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

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

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

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

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

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

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

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

(ii) Assets included in Form 990, Part X ▶ $

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

a Revenues included in Form 990, Part VIII, line 1 ▶ $

b Assets included in Form 990, Part X ▶ $

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

3 Using the organization's 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 XIV

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 Trust, 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 why in Part XIV and complete the following table

		Amount
c Beginning balance	1c	13,564
d Additions during the year	1d	165,717
e Distributions during the year	1e	158,375
f Ending balance	1f	20,906

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

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	721,018				
b Contributions	11,570				
c Investment earnings or losses	-18,197				
d Grants or scholarships					
e Other expenditures for facilities and programs	38,041				
f Administrative expenses					
g End of year balance	676,350				

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 67 460 %
- c Term endowment ▶ 32 540 %

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

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

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

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

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land		3,433,742		3,433,742
b Buildings		75,121,754	42,070,480	33,051,274
c Leasehold improvements				
d Equipment		33,810,495	21,326,316	12,484,179
e Other		6,154,582	2,664,996	3,489,586
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				52,458,781

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

(a) Description of security or cateory (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Financial derivatives and other financial products		
Closely-held equity interests		
Other Interest in net assets of Benedictine Health Foundation	10,138,405	F
Other Sacred Heart Rural Health Clinics	2,182,057	C
Other Health Management Services	837,725	C
Other Lewis and Clark Health Education and Service Agency	743,992	C
Other Valley Health Services	4,202,889	C
Other Assets limited to use - Avera Pooled Investments	100,541,531	F
Other Thomas J Kastle Living Trust	232,468	F
Other Alycemae Kastle Trust	143,267	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	119,022,334	

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

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

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

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

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

(a) Description of Liability	(b) Amount
Federal Income Taxes	
Estimated third-party payor settlements	2,700,000
Debt swap	369,482
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	3,069,482

In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	80,871,849
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	73,582,354
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	7,289,495
4	Net unrealized gains (losses) on investments	4	-11,922,172
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-3,219,135
9	Total adjustments (net) Add lines 4 - 8	9	-15,141,307
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-7,851,812

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

1	Total revenue, gains, and other support per audited financial statements			1	74,113,178
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-11,922,172		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	4,714,842		
e	Add lines **2a** through **2d**			2e	-7,207,330
3	Subtract line **2e** from line **1**			3	81,320,508
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	-448,659		
c	Add lines **4a** and **4b**			4c	-448,659
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	80,871,849

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

1	Total expenses and losses per audited financial statements			1	79,542,494
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Losses reported on Form 990, Part IX, line 25	2c			
d	Other (Describe in Part XIV)	2d	6,135,144		
e	Add lines **2a** through **2d**			2e	6,135,144
3	Subtract line **2e** from line **1**			3	73,407,350
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	175,004		
c	Add lines **4a** and **4b**			4c	175,004
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	73,582,354

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part XIV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b

Identifier	Return Reference	Explanation
Part IV, Line 1b		Resident trust funds are held in a bank account and distributed upon request of resident or guardian The intended use of these funds does not include conducting business on behalf of the organization
Part X	Description of Uncertain Tax Positions Under FIN 48	The Organization has implemented Financial Interpretation No 48, Accounting for Uncertainty in Income Taxes, (FIN No 48) The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions' being upheld upon examination with relevant tax authorities, as defined by FIN No 48
Part XI, Line 8 - Other Adjustments		Loss on debt refinancing -77049 Change in fair value of interest rate swap -161951 Capital transfers, net -2980135
Part XII, Line 2d - Other Adjustments		Revenues of consolidated subsidiaries 4966895 Loss on debt refinancing recorded in revenue for f/s -77049 Provision for income taxes recorded as revenue for financial statements -40302 Grant program expenditures included in revenue for financial statements -134702
Part XII, Line 4b - Other Adjustments		Change in interest in Benedictine Hlth Fdtn recorded in fund balance for f/s -632409 Other revenue included in expenses for financial statements 183750
Part XIII, Line 2d - Other Adjustments		Expenses of consolidated subsidiaries 6318894 Other revenue included in expenses for financial statements -183750
Part XIII, Line 4b - Other Adjustments		Provision for income taxes recorded as revenue for financial statements 40302 Grant program expenditures included in revenue for financial statements 134702

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Attach to Form 990. To be completed by organizations that answer "Yes" to Form 990, Part IV, line 20.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Part I Charity Care and Certain Other Community Benefits at Cost *(Optional for 2008)*

			Yes	No
1a	Does the organization have a charity care policy? If "No," skip to question 6a	1a		
b	If "Yes," is it a written policy?	1b		
2	If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a		
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b		
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Does the organization's policy provide free or discounted care to the "medically indigent"?	4		
5a	Does the organization budget amounts for free or discounted care provided under its charity care policy?	5a		
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare an annual community benefit report?	6a		
6b	If "Yes," does the organization make it available to the public?	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from *worksheets 1 and 2)*						
b Unreimbursed Medicaid (from *worksheet 3, column a)*						
c Unreimbursed costs—other means-tested government programs (from *worksheet 3, column b)*						
d **Total** Charity Care and Means-Tested Programs						
Other Benefits						
e Community health improvement services and community benefit operations (from (worksheet 4)						
f Health professions education (from worksheet 5)						
g Subsidized health services (from worksheet 6)						
h Research (from worksheet 7)						
i Cash and in-kind contributions to community groups (from worksheet 8)						
j **Total** Other Benefits						
k **Total** (line 7d and 7j)						

Part II Community Building Activities (Complete this table if the organization conducted any community building activities) *(Optional for 2008)*

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

Part III Bad Debt, Medicare, & Collection Practices *(Optional for 2008)*

Section A. Bad Debt Expense

			Yes	No
1	Does the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1		
2	Enter the amount of the organization's bad debt expense (at cost)	2		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, or rationale for including other bad debt amounts in community benefit			

Section B. Medicare

5	Enter total revenue received from Mecicare (including DSH and IME)	5	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	
7	Enter line 5 less line 6—surplus or (shortfall)	7	
8	Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit and the costing methodology or source used to determine the amount reported on line 6 and indicate which of the following methods was used		

☐ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a		
9b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b		

Part IV Management Companies and Joint Ventures *(Optional for 2008)*

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

Part V Facility Information *(Required for 2008)*

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
Avera Sacred Heart Hospital 501 Summit Street Yankton, SD 57078	X	X					X		
Avera Yankton Care Center 1212 W 8th Street Yankton, SD 57078									long-term care
Avera Sister James Nursing Home 2111 W 11th Street Yankton, SD 57078									long-term care
Avera Sacred Heart Majestic Bluffs 2111 W 11th Street Yankton, SD 57078									assisted living

Part VI Supplemental Information *(Optional for 2008)*

Complete this part to provide the following information

1 Provide the description required for Part I, line 3c, Part I, line 7, Part III, line 4, Part III, line 8, and Part III, line 9b

2 **Needs Assessment.** Describe how the organization assesses the health care needs of the communities it serves

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 charity care policy

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

5 **Community Building Activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves

Part VI, Line 5 Part V The organization also has the following types of facilities other than those required to be liscensed as healthcare facilities in the state of South Dakota 1 Home medical equipment1 Health education and staffing1 Surgery center1 Radiation oncology1 Radiology1 Homemaker service1 Adult day care service1 Clinic joint venture14 Clinics1 Senior apartments

6 Provide any other information important to describing how the organization's hospitals 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)

7 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 communites served

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.

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

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" on Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 if additional space is needed . . . ▶ ☐

1(a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
USD Foundation414 East Clark Street Vermillion, SD 57069	46-6000364	501(c)(3)	160,000				donation
United Way of Yankton231 Broadway Street Yankton, SD 57078	46-0252854	501(c)(3)	12,500				donation
Yankton YES Campaign803 East 4th Street Yankton, SD 57078	46-0348636	501(c)(6)	60,000				donation
University of South Dakota 414 East Clark Street Vermillion, SD 57078	46-6018891	501(c)(3)	24,000				donation

2 Enter total number of section 501(c)(3) and government organizations . . . ▶ 3

3 Enter total number of other organizations . . . ▶ 1

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

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

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

See Additional Data Table

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The organization only makes grants to other organizations which are also tax-exempt

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 23.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

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

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Michael Schurrer	(i) (ii)	246,911	10,000	673	11,760	11,809	281,153	
Pamela Rezac	(i) (ii)	310,761		277,934	26,854	10,335	625,884	253,475
Mike Healy	(i) (ii)	178,245	4,402	7,954	9,354	5,430	205,385	
Douglas Ekeren	(i) (ii)	162,648	5,402	462	8,423	11,173	188,108	
Barbara Larson	(i) (ii)	144,256	5,014	15,613	7,980	10,147	183,010	
Michael Peterson	(i) (ii)	411,286		1,260	11,760	10,640	434,946	
Scott Hiltunen	(i) (ii)	218,557	10,000	352	11,760	11,173	251,842	
Gregory Erickson	(i) (ii)	171,454	10,000	527	9,193	11,173	202,347	
Betty Bisgard	(i) (ii)	171,535		2,451	8,672	636	183,294	
Ronald Cork	(i) (ii)	169,551		3,574	8,469		181,594	
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
	Part I, Line 1a	The organization pays travel expenses for companions of board members The portion of expenses paid for companions is subject to tax and reported on a Form 1099
	Part I, Line 4a	Pamela Rezac, $266,930 Pamela Rezac is compensated by Avera Health Through December 31, 2008, Avera Health sponsored a nonqualified retirement deferred compensation plan ("Plan") under which participants could elect deferred vesting dates Due to the changes made by congress affecting nonqualified deferred compensation benefit plans under Section 409A of the Internal Revenue Code, significant regulatory changes and requirements were imposed by IRS rules However, the Internal Revenue Service granted a transition rule to assist in adjusting to the new rules Under this rule, one option was that employers could discontinue the Plan, but the individual participants would be required to receive all the benefit plan balances This option was adopted by Avera Health and consequently in December 2008 the Plan deferral was discontinued and all accrued benefits were distributed January 2009 to the individual participants Participants however were required to pay income tax on the distribution in 2008 This deferred compensation plan was established in 1995 The distribution from the plan therefore represents contributions for 14 years plus any investment gains that have accrued on those balances over the years represented
Supplemental Information	Part III	Schedule J, Part I Line 3 The President/CEO's compensation is paid by a related organization, Avera Health Avera Sacred Heart relied on the related organization for determining the compensation for the President/CEO using the methods described in Part I, Line 3

Additional Data

Return to Form

Software ID:

Software Version:

EIN: 46-0225483

Name: Sacred Heart Health Services
Avera Sacred Heart Hospital

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Michael Schurrer	(I) (II)	246,911	10,000	673	11,760	11,809	281,153	
Pamela Rezac	(I) (II)	310,761		277,934	26,854	10,335	625,884	253,475
Mike Healy	(I) (II)	178,245	4,402	7,954	9,354	5,430	205,385	
Douglas Ekeren	(I) (II)	162,648	5,402	462	8,423	11,173	188,108	
Barbara Larson	(I) (II)	144,256	5,014	15,613	7,980	10,147	183,010	
Michael Peterson	(I) (II)	411,286		1,260	11,760	10,640	434,946	
Scott Hiltunen	(I) (II)	218,557	10,000	352	11,760	11,173	251,842	
Gregory Erickson	(I) (II)	171,454	10,000	527	9,193	11,173	202,347	
Betty Bisgard	(I) (II)	171,535		2,451	8,672	636	183,294	
Ronald Cork	(I) (II)	169,551		3,574	8,469		181,594	

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Schedule K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

To be completed by organizations that answered "Yes" to Form 990, Part IV, line 24a.
Provide descriptions, explanations, and any additional information in Schedule O.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Part I Bond Issues *(Required for 2008)*

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer	
							Yes	No	Yes	No
A	South Dakota Health and Education Facilities Authority	46-0315509	83755VNB6	06-18-2008	5,000	refunding of prior bond issues		X		X
B	South Dakota Health and Education Facilities Authority	43-0315509	83755VNH3	07-01-2008	3,120,000	refunding of prior bond issues		X		X

Part II Proceeds *(Optional for 2008)*

		A	B	C	D	E
1	Total Proceeds of Issue					
2	Gross Proceeds in Reserve Funds					
3	Proceeds in Refunding or Defeasance Escrows					
4	Other Unspent Proceeds					
5	Issuance Costs from Proceeds					
6	Working Capital Expenditures from Proceeds					
7	Capital Expenditures from Proceeds					
8	Year of Substantial Completion					

		A		B		C		D		E	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
9	Were the bonds issued as part of a current refunding issue?										
10	Were the bonds issued as part of an advance refunding issue?										
11	Has the final allocation of proceeds been made?										
12	Does the organization maintain adequate books and records to support the final allocation of proceeds?										

Part III Private Business Use *(Optional for 2008)*

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

Part III Private Business Use *(Continued)*

		A		B		C		D		E	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts with respect to the financed property which may result in private business use?										
3b	Are there any research agreements with respect to the financed property which may result in private business use?										
3c	Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?										
4	Enter the percentage of financed property used in a private business use by entities other than a 501(c)(3) organization or a state or local government										
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another 501(c)(3) organization, or a state or local government										
6	Total of lines 4 and 5										
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?										

Part IV Arbitrage *(Optional for 2008)*

		A		B		C		D		E	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T been filed wth respect to the bond issue?										
2	Is the bond issue a variable rate issue?										
3a	Has the organization or the government issuer identified a hedge with respect to the bond issue on its books and records?										
b	Name of provider										
c	Term of hedge										
4a	Were gross proceeds invested in a GIC?										
b	Name of provider										
c	Term of GIC										
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?										
5	Were any gross proceeds invested beyond an available temporary period?										
6	Did the bond issue qualify for an exception to rebate?										

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Attach to Form 990 or Form 990-EZ.
▶ To be completed by organizations that answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38b or 40b.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

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

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No

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

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

Part II Loans to and/or From Interested Persons

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
Michael Peterson Recruitment loan		X	18,140	9,070		No	Yes		Yes	
Total . . . . . ▶ $				9,070						

Part III Grants or Assistance Benefitting Interested Persons

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

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

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SCHEDULE O
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

▶ **Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.**

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 2		Jim Means and Rob Stephenson have a business relationship

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 6		The sole member of the organization is Avera Health, a nonprofit corporation organized and existing under the laws of the state of South Dakota and exempt under 501(c)(3) of the Internal Revenue Code of 1986, as amended

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7a		Avera Health, as the sole member, has the power to appoint and remove, with or without cause, members of the board of directors

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 7b		Avera Health has the following rights as the Member 1) To approve the adoption, amendment or repeal of the statements of philosophy, mission and values of Corporation, 2) To initiate the adoption, amendment or repeal of any provision of the Articles of Incorporation or Bylaws of Corporation, and to give final approval of any such action with respect thereto, 3) To approve and act upon the alienation of real property and precious artifacts under the canonical stewardship of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota ("Presentation Sisters") or the Benedictine Sisters of Sacred Heart Monastery ("Benedictine Sisters"), pursuant to the policies established by the Member, 4) To approve any plan of merger, consolidation or dissolution of the Corporation, or the divestiture of a sponsored work or ministry associated with the Corporation, 5) To approve the creation of new sponsored works or ministries to be conducted by or under the authority of the Corporation, 6) To appoint and remove, with or without cause, the Board of Directors of the Corporation 7) To appoint and/or remove, with or without cause, the President and Chief Executive Officer of the Corporation 8) To approve operating/capital budgets and strategic plans of the Corporation 9) To approve expenditures outside of operating and capital budgets exceeding defined thresholds according to policy which may be adopted from time to time by the Member 10) To approve acquisitions, sales and leases, according to policy which may be adopted from time to time by the Member 11) To establish and maintain employee benefit programs 12) To establish and maintain insurance programs 13) To approve major community fund drives 14) To approve the appointment of auditors 15) To adopt policies designed to effectuate the reserved powers of the Member

Identifier	Return Reference	Explanation
Form 990, Part VI, Section A, line 10		The Form 990 is reviewed initially by the CEO and CFO The return is made available to the Board of Directors for review prior to filing

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 12c		The Conflict of Interest Policy covers Board members and officers At each board meeting, a request is made for all Board members to disclose any potential conflict of interest pertaining to any item listed on the agenda or pertaining to any potential item that could be discussed during the course of the meeting The Declaration of Conflict of Interest is recorded in the meeting minutes The Board makes a determination of whether there is a conflict of interest and if so, implements the procedure for evaluating the issue or transaction involved The board member or officer with the conflict must refrain from voting A statement of conflict of interest disclosure is made on an annual basis by interested persons The information is maintained in a database and a report is provided to the Board

Identifier	Return Reference	Explanation
Form 990, Part VI, Section B, line 15		The CEO is compensated by Avera Health Annually the Compensation Committee of Avera Health, which is comprised of board members elected by the System, meets with an independent consultant regarding fair market value of officers and key employees The Compensation Committee approves all salaries based on comparable data and documents the basis for their decision in meeting minutes The compensation of other officers, directors, and key employees is reviewed annually The organization utilizes the resources of an outside independent agency for market comparability The compensation is approved within the annual budget approved by the Board

Identifier	Return Reference	Explanation
Form 990, Part VI, Section C, line 19		The organization's governing documents, conflict of interest policy, and financial statements are not made available to the general public

Identifier	Return Reference	Explanation
Schedule K Supplental Information		The issue price includes the filing organization's share of the entire bond issue, which was issued to Avera Health on behalf of the Avera Obligated Group The Avera Obligated Group consists of Avera McKennan, Avera St Luke's, Avera Queen of Peace, and Avera Sacred Heart

Identifier	Return Reference	Explanation
Form 990, Part III		Continuation of Statement of Exempt Purpose Achievements Community Education Avera Sacred Heart reaches out to people and communities throughout southeastern South Dakota and northeastern Nebraska in a variety of ways For the past five years, Avera Sacred Heart has partnered with HyVee Foods of Yankton and the Yankton Public School System to promote better eating habits for students and centered on the '5-to-9-a-Day' educational format Community flu shot clinics are generally held throughout the region This past year posed a challenge with the shortage of seasonal flu and H1N1 vaccine Through well coordinated efforts statewide with other hospitals and state entities, Avera Sacred Heart was able to effectively distribute the vaccine doses it received in a timely and efficient manner We are proud of our continuing 'To Be Well' health care educational series that provides education to the community on a variety of diseases and chronic conditions Educational sessions are offered to medical staff, students, employees, health care professionals, students of all levels and the general public Utilizing the Avera Professional Office Pavilion and Education Center, hundreds of classes involving thousands of people are provided as a community service each year Other examples of community education include our student/youth mentoring programs and parish nursing Partnerships with schools, churches, businesses and other organizations make many of these programs possible One of "Most Wired" Hospitals Avera and Avera Sacred Heart Hospital was named "Most Wired" by Hospitals & Health Networks magazine for the 11th year in a row The award recognizes hospitals that successfully use technology to enhance patient care and quality As an integrated organization, Avera and Avera Sacred Heart are leaders in the implementation of the electronic patient record (EMR) In FY09, several new clinics were added to the ASHH electronic medical record system as the nation moves toward more integrated medicine Commitment To Quality Avera Sacred Heart is accredited by the Joint Commission and just received another three-year accreditation in 2008 In FY09, the hospital was named one of only 23 hospitals in the nation to achieve top decile rankings in three clinical focus areas in the CMS/Premier quality project based on its second-year scores in heart attack, heart failure and pneumonia Transforming Care at the Bedside Selected as one of only 68 hospitals in the nation in 2008 to participate in a national study entitled Transforming Care at the Bedside, Avera Sacred Heart nurses focus on spending more time with patients Avera Sacred Heart Hospital is one of only two South Dakota hospitals participating in the project and continues to come up with innovative ways to provide exceptional quality care Safety in the Workplace The South Dakota Safety Council awarded a Governor's Safety Award to Avera Sacred Heart Hospital for excellence in workplace safety and health Avera Sacred Heart Hospital was one of 49 employers who were recognized at the Governor's Safety Awards luncheon in 2009 Since 1993, the annual Governor's Safety Awards have spotlighted South Dakota employers with above average safety records Participants submit injury information which is compared with state and national data, as well as the entrant's past performance Ongoing safety programs and activities are also considered Avera Sacred Heart's dedication to providing a healthy and safe environment extends to its employees as well as the people of the 15-county region it serves Hospital 2 Home Avera Sacred Heart Hospital has been in the planning phase and now will be participating in the Institute for Healthcare Improvement's Hospital to Home (H2H) quality initiative Currently, in the U S , nearly 20 percent of Medicare patients are readmitted to the hospital within 30 days of discharge, with heart failure listed as the most common reason for readmission In 2004 alone, the total cost of these readmissions was $17 4 billion The focus of the H2H initiative will be on three main domains that provide opportunities for improvement 1 Medication management post-discharge Is the patient familiar and competent with their medications and do they have access to them? 2 Early follow-up Does the patient have a follow-up visit scheduled within a week of discharge and are they able to get there 3 Symptom management Does the patient fully comprehend the signs and symptoms that require medical attention and who to contact if they occur

Identifier	Return Reference	Explanation
Form 990, Part VII		During the tax year, Doug Doorn, CFO, served the organization from February to June 2009 Therefore, he did not have any reportable compensation during the calendar year ending within the organization's fiscal year

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Attach to Form 990. To be completed by organizations that answerd "Yes" to Form 990, Part IV, lines 33, 34, 35, 36, or 37.
▶ See separate instructions.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization
Sacred Heart Health Services
Avera Sacred Heart Hospital

Employer identification number
46-0225483

Part I Identification of Disregarded Entities

(A) Name, address, and EIN 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

(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
Avera Health 3900 West Avera Drive Suite 300 Sioux Falls, SD57108 46-0422673	promotion of health	SD	501(c)(3)	9	N/A
Sacred Heart Rural Health Clinics Inc 501 Summit Street Yankton, SD57078 46-0423930	clinic services	SD	501(c)(3)	3	N/A
Health Management Services 501 Summit Street Yankton, SD57078 46-0399291	adult daycare and homemaking services	SD	501(c)(3)	9	N/A
Lewis and Clark Health Education and Service Agency 1000 W 4th Street Suite 9 Yankton, SD57078 46-0337013	healthcare education	SD	501(c)(3)	9	N/A
Benedictine Health Foundation 1000 W 4th Street Suite 14 Yankton, SD57078 46-0370373	fundraising	SD	501(c)(3)	11a	N/A
Avera Workers' Compensation Trust PO Box 38 Yankton, SD57078 46-0407148	economical coverage of workers' compensation claims	SD	501(c)(3)	11b	N/A

Part III Identification of Related Organizations Taxable as a Partnership

(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, investment, unrelated)	(F) Share of total income	(G) Share of end-of-year assets	(H) Disproprtionate allocations?		(I) Code V—UBI amount on Box 20 of K-1	(J) General or managing partner?	
							Yes	No		Yes	No

Part IV Identification of Related Organizations Taxable as a Corporation or Trust

(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
Valley Health Services Inc 501 Summit Street Yankton, SD57078 46-0357149	medical equipment	SD	N/A	C	184,146	4,205,845	100 000 %
Avera Pace 3900 West Avera Drive Sioux Falls, SD57108 46-0341869	healthcare services	SD	N/A	C			
Accounts Management Inc 5132 S Cliff Ave Suite 101 Sioux Falls, SD57108 46-0373021	collection agency	SD	N/A	C			
Avera Health Plans Inc 3900 West Avera Drive Sioux Falls, SD57108 46-0451539	health financing and health plan administration	SD	N/A	C			
Avera Property Insurance Inc 610 W 23rd St PO Box 38 Yankton, SD57078 46-0463155	insurance	SD	N/A	C			

Part V Transactions with Related Organizations

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

		Yes	No
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 **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c	Yes	
d Loans or loan guarantees to or for other organization(s)	1d		No
e Loans or loan guarantees by other organization(s)	1e		No
f Sale of assets to other organization(s)	1f		No
g Purchase of assets from other organization(s)	1g		No
h Exchange of assets	1h		No
i Lease of facilities, equipment, or other assets to other organization(s)	1i		No
j Lease of facilities, equipment, or other assets from other organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for other organization(s)	1k	Yes	
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets	1m		No
n Sharing of paid employees	1n	Yes	
o Reimbursement paid to other organization for expenses	1o	Yes	
p Reimbursement paid by other organization for expenses	1p	Yes	
q Other transfer of cash or property to other organization(s)	1q	Yes	
r Other transfer of cash or property from other organization(s)	1r		No

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

(A) Name of other organization(s)	(B) Transaction type(a-r)	(C) Amount Involved
(1) **See Additional Data Table**		
(2)		
(3)		
(4)		
(5)		
(6)		

Part VI Unrelated Organizations Taxable as a Partnership

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

(A) Name, address, and EIN of entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Are all partners section 501(c)(3) organizations?		(E) Share of end-of-year assets	(F) Disproprtionate allocations?		(G) Code V—UBI amount on Box 20 of K-1	(H) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0225483
Name: Sacred Heart Health Services
Avera Sacred Heart Hospital

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

(A) Name, address, and EIN of related organization	(B) Primary Activity	(C) Legal Domicile (State or Foreign Country)	(D) Exempt Code section	(E) Public charity status (if 501(c)(3))	(F) Direct Controlling Entity
Avera Health 3900 West Avera Drive Suite 300 Sioux Falls, SD57108 46-0422673	promotion of health	SD	501(c)(3)	9	N/A
Sacred Heart Rural Health Clinics Inc 501 Summit Street Yankton, SD57078 46-0423930	clinic services	SD	501(c)(3)	3	N/A
Health Management Services 501 Summit Street Yankton, SD57078 46-0399291	adult daycare and homemaking services	SD	501(c)(3)	9	N/A
Lewis and Clark Health Education and Service Agency 1000 W 4th Street Suite 9 Yankton, SD57078 46-0337013	healthcare education	SD	501(c)(3)	9	N/A
Benedictine Health Foundation 1000 W 4th Street Suite 14 Yankton, SD57078 46-0370373	fundraising	SD	501(c)(3)	11a	N/A
Avera Workers' Compensation Trust PO Box 38 Yankton, SD57078 46-0407148	economical coverage of workers' compensation claims	SD	501(c)(3)	11b	N/A

Form 990, Schedule R, Part V - Transactions with Related Organizations

	(A) Name of other organization	(B) Transaction type(a-r)	(C) Amount Involved ($)
(1)	Lewis and Clark Health Education and Service Agency	A	25,872
(2)	Health Management Services	A	19,457
(3)	Benedictine Health Foundation	A	5,919
(4)	Benedictine Health Foundation	B	50,050
(5)	Sacred Heart Rural Health Clinics	K	234,976
(6)	Sacred Heart Rural Health Clinics	N	187,619
(7)	Lewis and Clark Health Education and Service Agency	N	259,962
(8)	Sacred Heart Rural Health Clinics	N	119,881
(9)	Lewis and Clark Health Education and Service Agency	N	135,609
(10)	Health Management Services	N	52,300
(11)	Lewis and Clark Health Education and Service Agency	O	212,355
(12)	Sacred Heart Rural Health Clinics	P	124,104
(13)	Sacred Heart Rural Health Clinics	Q	1,352,000

Additional Data

Software ID:

Software Version:

EIN: 46-0225483

Name: Sacred Heart Health Services
Avera Sacred Heart Hospital

Form 990, Part VII - Section Aaa

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099MISC)	(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			
Mary Pat Bierle , Chair	2 00	X		X				0	0	0
Amy Freeburg , Vice Chair	2 00	X		X				0	0	0
Rob Stephenson , Board Member	2 00	X						712	0	0
Sr Joan Reichelt PBVM , Board Member	2 00	X						0	0	0
Joan Nagengast , Board Member	2 00	X						0	0	0
Dan Walbaum , Board Member	2 00	X						0	0	0
Sr Lucille Welbig , Board Member	2 00	X						0	0	0
Sr Deb Koleka , Board Member	2 00	X						0	0	0
Sr Corinne Lemmer OS , Board Member	2 00	X						0	0	0
Jim Means , Board Member	2 00	X						667	0	0
Michael Schurrer , Board Member / Physician	40 00	X						257,584	0	22,933
Pamela Rezac , President & CEO	60 00	X		X				0	588,695	36,436
Mike Healy , Sec/Treas & SVP-Finance	52 00			X				190,601	0	14,784
Douglas Doorn Feb-Jun , Sec/Treas & SVP-Finance	52 00			X				0	0	0
Douglas Ekeren , VP Network Services	52 00				X			168,512	0	19,596
Barbara Larson , VP Patient Care Services	52 00				X			164,883	0	18,127
Michael Peterson , Physician	40 00					X		412,546	0	22,400
Scott Hiltunen , Physician	40 00					X		228,909	0	22,933
Gregory Erickson , Physician	40 00					X		181,981	0	20,366
Betty Bisgard , CRNA	40 00					X		173,986	0	9,308
Ronald Cork , Mgr St Anthony's Hospit	52 00					X		173,125	0	8,469

Form 990, Part VIII - Statement of Revenue - 2a - 2g Program Service Revenue -

	Business Code	(A) Total Revenue	(B) Related or Exempt Function Revenue	(C) Unrelated Business Revenue	(D) Revenue Excluded from Tax under IRC 512, 513, or 514
a Net patient service re	621,500	76,940,513	76,940,513		
b Nonmedical outreach	900,099	1,291,775	1,291,775		
c Gain from affiliates	900,099	939,299	939,299		
d Other revenue	900,099	300,313	300,313		
e Rental income from rel	531,120	51,248	51,248		