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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

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

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

C Name of organization
AVERA QUEEN OF PEACE HOSPITAL

Doing Business As
AVERA QUEEN OF PEACE HEALTH SERVICE

Number and street (or P O box if mail is not delivered to street address) 525 NORTH FOSTER STREET

Room/suite

City or town, state or country, and ZIP + 4
MITCHELL, SD 57301

D Employer identification number
46-0224604

E Telephone number
(605) 995-2251

G Gross receipts $ 86,034,601

F Name and address of principal officer
THOMAS A CLARK
525 NORTH FOSTER STREET
MITCHELL, SD 57301

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) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW AVERAQUEENOFPEACE ORG

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

L Year of formation 1905

M State of legal domicile SD

Part I Summary

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 net assets

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	15
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	876
6	Total number of volunteers (estimate if necessary)	**6**	120
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	1,511,770	1,259,988
9	Program service revenue (Part VIII, line 2g)	78,383,045	82,985,131
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	500,668	1,329,553
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-899	-82,807
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	80,394,584	85,491,865
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	118,268	163,174
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	46,365,915	47,230,003
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶48,942		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	30,201,254	32,188,106
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	76,685,437	79,581,283
19	Revenue less expenses Subtract line 18 from line 12	3,709,147	5,910,582

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	95,601,707	105,824,301
21	Total liabilities (Part X, line 26)	32,298,853	32,789,972
22	Net assets or fund balances Subtract line 21 from line 20	63,302,854	73,034,329

Part II Signature Block

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

Sign Here

****** — Signature of officer — 2012-05-14 — Date

WILLIAM E FLETT SEC/TREAS & VP OF FINANCE — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
KIM HUNWARDSEN CPA	KIM HUNWARDSEN CPA	2012-05-14	☐	

Firm's name ▶ EIDE BAILLY LLP — Firm's EIN ▶

Firm's address ▶ 800 NICOLLET MALL STE 1300, MINNEAPOLIS, MN 554027033 — Phone no ▶ (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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 501(c)(4) organizations and section 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 $ 64,112,115 including grants of $ 163,174) (Revenue $ 82,985,131)

AVERA QUEEN OF PEACE'S MISSION IS TO PROVIDE HEALTHCARE SERVICES TO MITCHELL, SD RESIDENTS AND SURROUNDING AREA THEY PROVIDE ACUTE CARE AND LONG-TERM HEALTHCARE SERVICES, OF WHICH THERE WERE 8,985 ACUTE PATIENT DAYS, 2,626 SWING-BED PATIENT DAYS, 1,151 NURSERY PATIENT DAYS, AND 41,822 NURSING HOME RESIDENT DAYS THE BREAKOUT OF THESE STATISTICS PER FACILITY IS AS FOLLOWS AVERA QUEEN OF PEACE HOSPITAL8,420 ACUTE PATIENT DAYS1,940 SWING-BED PATIENT DAYS1,151 NEWBORN PATIENT DAYSAVERA BRADY HEALTH AND REHABILITATION29,804 LONG-TERM CARE RESIDENT DAYS9,300 ASSISTED LIVING DAYS2,718 INDEPENDENT LIVING DAYSAVERA WESKOTA MEMORIAL MEDICAL CENTER (CAH)394 ACUTE PATIENT DAYS461 SWING-BED PATIENT DAYSAVERA DE SMET MEMORIAL HOSPITAL (CAH)171 ACUTE PATIENT DAYS225 SWING-BED PATIENT DAYS AVERA QUEEN OF PEACE MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE LEVEL OF CHARITY CARE IT PROVIDES THESE RECORDS INCLUDE THE AMOUNT OF CHARGES FOREGONE FOR SERVICES AND SUPPLIES FURNISHED UNDER ITS CHARITY CARE POLICY AND EQUIVALENT SERVICE STATISTICS THE AMOUNT OF CHARGES FOREGONE, BASED ON ESTABLISHED RATES, WERE $1,928,334 AVERA QUEEN OF PEACE ALSO PROVIDES COMMUNITY BENEFIT HEALTH ACTIVITIES AT LESS THAN OR AT NO COST TO SUPPORT THOSE IN THE AREA SERVICED THESE ACTIVITIES INCLUDE COMMUNITY EDUCATION PROGRAMS, SPECIAL PROGRAMS FOR THE ELDERLY, HANDICAPPED, AND MEDICALLY UNDERSERVED, AND A VARIETY OF BROAD COMMUNITY SUPPORT ACTIVITIES DURING THE YEAR ENDED JUNE 30, 2011, SPECIFIC ACTIVITIES INCLUDE MEALS DELIVERED TO RESIDENTIAL HOMES, MEETING FACILITIES, PROGRAMS FOR PATIENTS AND FAMILIES SUFFERING FROM CANCER, DIABETES, BREATHING DISORDERS, AND OTHERS, ASSISTANCE TO HEALTH EDUCATORS, EMERGENCY HEALTHCARE PROVIDERS, WELLNESS PROGRAMS, AND OVERNIGHT HOUSING FOR FAMILIES OF HOSPITALIZED PATIENTS AS A MEMBER OF THE AVERA HEALTH NETWORK, AVERA QUEEN OF PEACE UPHOLDS THE VISION OF THE PRESENTATION AND BENEDICTINE SISTERS TO WORK THROUGH COLLABORATION TO PROVIDE A QUALITY, EFFECTIVE HEALTH MINISTRY AND TO IMPROVE THE HEALTH CARE OF INDIVIDUALS AND OUR COMMUNITIES THROUGH A REGIONALLY INTEGRATED NETWORK OF PERSONS AND INSTITUTIONS AVERA QUEEN OF PEACE ENGAGES IN ACTIVITIES DESIGNED TO IMPROVE THE HEALTH OF INDIVIDUALS AND COMMUNITIES IN RESPONSE TO A CALLING TO HEAL THE SICK, THE ELDERLY, AND THE OPPRESSED

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** ▶ $ 64,112,115

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or 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	Yes	
10	Did the organization, directly or through a related organization, hold assets in term, permanent,or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		No
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b–24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, 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, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, 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)?	**35**	Yes	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* ☐ **Yes** ☑ **No**			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	141		
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	876		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			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 instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O			13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .			14b		

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

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	18		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	15		
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 governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	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	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		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?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	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		No
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," 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 ▶

WILL FLETT
525 NORTH FOSTER
MITCHELL, SD 57301
(605) 995-2251

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ROGER MUSICK CHAIRPERSON	2 50	X		X				0	0	0
(2) LORI ESSIG VICE CHAIR	2 50	X		X				0	0	0
(3) LOREN NOESS BOARD MEMBER	2 50	X						0	0	0
(4) CHARLES BERGELEEN BOARD MEMBER	2 50	X						0	0	0
(5) SISTER KATHLEEN CROWLEY BOARD MEMBER	2 50	X						0	0	0
(6) MARK REYNEN DO BOARD MEMBER (THRU 1-11)	2 50	X						0	0	0
(7) SISTER BONITA GACNIK BOARD MEMBER	2 50	X						0	0	0
(8) DAVID OLSON BOARD MEMBER	2 50	X						0	0	0
(9) JACQUELYN JOHNSON BOARD MEMBER	2 50	X						0	0	0
(10) ELMER BIETZ BOARD MEMBER	2 50	X						0	0	0
(11) SISTER LYNN MARIE WELBIG BOARD MEMBER	2 50	X						0	0	0
(12) ROBERT SNORTUM MD BOARD MEMBER (1-11 - 6-11)	2 50	X						339,217	0	34,357
(13) JERRY THOMSEN BOARD MEMBER	2 50	X						0	0	0
(14) RODNEY COMBS BOARD MEMBER	2 50	X						0	0	0
(15) TERRY TORGERSON BOARD MEMBER	2 50	X						0	0	0
(16) MICHAEL KRAUSE DO BOARD MEMBER	2 50	X						40,000	0	0

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(17) PATRICIA MALTERS MD BOARD MEMBER	2 50	X						0	0	0
(18) GREG VAN WALD BOARD MEMBER	2 50	X						0	0	0
(19) TOM RASMUSSON PRESIDENT & CEO	40 00	X		X				0	463,190	30,824
(20) PATRICK J CLARK SEC/TREAS & SRVP OF FINANCE	40 00			X				225,074	0	18,975
(21) JEROME HOWE MD PHYSICIAN	40 00					X		615,152	0	26,826
(22) CHRISTOPHER KROUSE MD PHYSICIAN	40 00					X		1,105,344	0	27,683
(23) MICHAEL HALEY MD PHYSICIAN	40 00					X		689,338	0	32,688
(24) DENNIS LELAND MD PHYSICIAN	40 00					X		728,767	0	28,682
(25) BRIAN KAMPMANN MD PHYSICIAN	40 00					X		631,724	0	28,682
1b Sub-Total . . . . . ▶										
c Total from continuation sheets to Part VII, Section A . . . . ▶										
d Total (add lines 1b and 1c) . . . . . ▶								4,374,616	463,190	228,717

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 41

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
AVERA HEALTH 3900 W AVERA DRIVE SUITE 300 SIOUX FALLS, SD 57108	SHARED SERVICES	3,575,868
AEGIS THERAPIES INC PO BOX 8103 FORT SMITH, AR 72902	PHYSICAL AND OCCUPATIONAL THERAPY	245,173
TREVOR A MEANEY 948 KIPPES COVE MITCHELL, SD 57301	MIO SERVICES	148,289
PHYSICIANS LABORATORY 1000E 21ST ST SUITE 4100 SIOUX FALLS, SD 57117	PATHOLOGISTS	133,771
HEARING PLUS 417 N MAIN 105 MITCHELL, SD 57301	SPEECH THERAPY	107,134

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 8

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns . .	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations . . .	1d	100,654			
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	1,159,334			
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		1,259,988			
Program Service Revenue		Business Code				
	2a NET PATIENT & RESIDENT	623000	80,739,311	80,739,311		
	b OTHER REVENUE	900099	1,280,492	1,280,492		
	c CAFETERIA	900099	451,854	451,854		
	d INTEREST IN AVERA HEAL	900099	414,265	414,265		
	e COMMUNITY WELLNESS	900099	99,209	99,209		
	f All other program service revenue					
	g **Total.** Add lines 2a–2f . . . . . ▶		82,985,131			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		71,911			71,911
	4 Income from investment of tax-exempt bond proceeds . . ▶					
	5 Royalties . . . . . ▶					
		(i) Real	(ii) Personal			
	6a Gross Rents	459,929				
	b Less rental expenses	542,736				
	c Rental income or (loss)	-82,807				
	d Net rental income or (loss) . . . . . ▶		-82,807			-82,807
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	1,252,075	5,567			
	b Less cost or other basis and sales expenses					
	c Gain or (loss)	1,252,075	5,567			
	d Net gain or (loss) . . . . . ▶		1,257,642			1,257,642
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a					
	b Less direct expenses . . . b					
	c Net income or (loss) from fundraising events . . ▶					
	9a Gross income from gaming activities See Part IV, line 19 . a					
	b Less direct expenses . . . . . b					
	c Net income or (loss) from gaming activities . . . ▶					
	10a Gross sales of inventory, less returns and allowances . a					
	b Less cost of goods sold . . b					
	c Net income or (loss) from sales of inventory . . ▶					
	Miscellaneous Revenue	Business Code				
	11a _____					
	b _____					
	c _____					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶					
	12 **Total revenue.** See Instructions . . . ▶		85,491,865	82,985,131	0	1,246,746

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	163,174	163,174		
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	627,718	422,698	205,020	
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	36,586,030	29,705,425	6,852,449	28,156
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,090,566	1,698,604	390,269	1,693
9 Other employee benefits	5,653,693	4,580,089	1,069,051	4,553
10 Payroll taxes	2,271,996	1,839,862	430,316	1,818
a Fees for services (non-employees) Management				
b Legal	1,430		1,430	
c Accounting				
d Lobbying				
e Professional fundraising services *See Part IV, line 17*				
f Investment management fees				
g Other	5,997,559	2,561,555	3,436,004	
12 Advertising and promotion	388,236	35,309	346,447	6,480
13 Office expenses	14,178,447	12,259,482	1,913,107	5,858
14 Information technology	172,676	172,676		
15 Royalties				
16 Occupancy	1,844,286	1,228,747	615,539	
17 Travel	209,103	137,700	71,019	384
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	104,337	29,290	75,047	
20 Interest	771,815	771,815		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,048,638	4,048,638		
23 Insurance	715,535	715,535		
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a BAD DEBT EXPENSE	2,384,264	2,384,264		
b EQUIPMENT LEASE AND REN	140,317	138,381	1,936	
c GRANT PROGRAM EXPENDITU	95,111	95,111		
d SALES TAX AND LICENSES	48,364	42,014	6,350	
e				
f All other expenses	1,087,988	1,081,746	6,242	
25 **Total functional expenses.** Add lines 1 through 24f	79,581,283	64,112,115	15,420,226	48,942
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) 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		3,760,652	2	3,286,441
	3	Pledges and grants receivable, net		7,766	3	639
	4	Accounts receivable, net		11,822,556	4	11,706,690
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		146,041	5	108,959
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L			6	
	7	Notes and loans receivable, net		439,315	7	332,077
	8	Inventories for sale or use		1,429,864	8	1,222,612
	9	Prepaid expenses and deferred charges		374,967	9	653,214
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 85,847,172			
	b	Less accumulated depreciation	10b 47,550,668	38,824,976	10c	38,296,504
	11	Investments—publicly traded securities		992,846	11	7,237,868
	12	Investments—other securities See Part IV, line 11		36,308,275	12	41,750,866
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,494,449	15	1,228,431
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		95,601,707	16	105,824,301
Liabilities	17	Accounts payable and accrued expenses		5,787,890	17	6,928,998
	18	Grants payable			18	
	19	Deferred revenue		458,487	19	128,877
	20	Tax-exempt bond liabilities		22,388,204	20	22,262,117
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		561,013	21	544,037
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities Complete Part X of Schedule D		3,103,259	25	2,925,943
	26	**Total liabilities.** Add lines 17 through 25		32,298,853	26	32,789,972
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		61,096,999	27	70,490,116
	28	Temporarily restricted net assets		1,412,272	28	1,748,895
	29	Permanently restricted net assets		793,583	29	795,318
		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		63,302,854	33	73,034,329
	34	Total liabilities and net assets/fund balances		95,601,707	34	105,824,301

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	85,491,865
2	Total expenses (must equal Part IX, column (A), line 25)	2	79,581,283
3	Revenue less expenses Subtract line 2 from line 1	3	5,910,582
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	63,302,854
5	Other changes in net assets or fund balances (explain in Schedule O)	5	3,820,893
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	73,034,329

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

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

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

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☑ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

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

_____

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

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

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

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

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - 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 supported organization(s)

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

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f)) **14**

15 Public Support Percentage for 2009 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2009.** 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—2010.** 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—2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2006	**(b)** 2007	**(c)** 2008	**(d)** 2009	**(e)** 2010	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	**15**	
16	Public support percentage from 2009 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2010** (line 10c column (f) divided by line 13 column (f))	**17**	
18	Investment income percentage from **2009** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2009.** 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.** Supplemental Information. Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**
▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2010

Open to Public Inspection

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

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

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

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

If the organization answered "Yes," to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35a (Proxy Tax), then

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

Name of the organization	Employer identification number
AVERA QUEEN OF PEACE HOSPITAL	46-0224604

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

Part I-B Complete if the organization is exempt under section 501(c)(3).

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

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

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

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

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

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV

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

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ☐ if the filing organization belongs to an affiliated group
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		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(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 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(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 1c through 1i)?		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		11,839
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			11,839
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 Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

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

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

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 (see instructions)	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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

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 for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a 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, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

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

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

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 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 Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

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

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

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

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

b If "Yes," explain the arrangement in Part 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	793,583	1,032,880	1,028,163		
b Contributions					
c Investment earnings or losses	131,273	-239,297	4,717		
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	924,856	793,583	1,032,880		

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

- a Board designated or quasi-endowment ▶ 14 000 %
- b Permanent endowment ▶ 86 000 %
- c Term endowment ▶

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

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

4 Describe in Part 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) Accumulated depreciation	(d) Book value
1a Land	1,109,295	1,164,024		2,273,319
b Buildings		50,179,690	24,777,545	25,402,145
c Leasehold improvements				
d Equipment		31,684,898	21,643,535	10,041,363
e Other		1,709,265	1,129,588	579,677
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				38,296,504

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) INVESTMENT IN AFFILIATED ORGANIZATIONS	262,853	C
(B) INTEREST IN AVERA HEALTH FOUNDATION	2,295,037	F
(C) INTEREST IN NET ASSETS OF MABEE TRUST	809,145	F
(D) ASSETS LIMITED TO USE - AVERA POOLED INVESTMENTS	38,383,831	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	41,750,866	

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.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
DERIVATIVE LIABILITY	1,845,240
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	783,966
CAPITAL LEASE OBLIGATIONS	296,737
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	2,925,943

2. Fin 48 (ASC 740) Footnote 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 (ASC740)

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	85,491,865
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	79,581,283
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	5,910,582
4	Net unrealized gains (losses) on investments	4	3,755,885
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	65,008
9	Total adjustments (net) Add lines 4 - 8	9	3,820,893
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	9,731,475

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	88,349,916
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	3,755,885		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	224,999		
e	Add lines **2a** through **2d**			2e	3,980,884
3	Subtract line **2e** from line **1**			3	84,369,032
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	1,122,833		
c	Add lines **4a** and **4b**			4c	1,122,833
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	85,491,865

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

1	Total expenses and losses per audited financial statements			1	79,581,283
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	79,581,283
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			
c	Add lines **4a** and **4b**			4c	0
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	79,581,283

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 IV, 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 Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
	PART IV, LINE 2B	THE ORGANIZATION HOLDS FUNDS IN TRUST ON BEHALF OF ITS RESIDENTS
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ORGANIZATION'S ENDOWMENTS CONSIST OF A PORTION OF THEIR INTEREST IN THE NET ASSETS OF AVERA HEALTH FOUNDATION AND THEIR BENEFICIAL INTEREST IN THE MABEE TRUST AVERA HEALTH FOUNDATION INCLUDES ENDOWMENT FUNDS WHICH HAVE BEEN ESTABLISHED FOR A VARIETY OF PURPOSES THE ENDOWMENT FUND ASSETS INCLUDED IN THE ORGANIZATION'S BENEFICIAL INTEREST IN THE MABEE TRUST HAVE BEEN ESTABLISHED TO PURCHASE EQUIPMENT AND FURNISHINGS FOR THE ORGANIZATION AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, NET ASSETS ASSOCIATED WITH ENDOWMENT FUNDS, INCLUDING FUNDS DESIGNATED BY THE BOARD OF DIRECTORS TO FUNCTION AS ENDOWMENTS (IF ANY), ARE CLASSIFIED AND REPORTED BASED ON THE EXISTENCE OR ABSENCE OF DONOR-IMPOSED RESTRICTIONS THE ORGANIZATION'S PERMANENTLY RESTRICTED ENDOWMENT FUNDS ARE DONOR RESTRICTED THE ORGANIZATION CURRENTLY DOES NOT HAVE ANY BOARD-DESIGNATED ENDOWMENT FUNDS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED
PART XI, LINE 8 - OTHER ADJUSTMENTS		CAPITAL CONTRIBUTIONS, NET -129,511 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 308,019 LOSS ON REFINANCING -22,511 CHANGE IN ACCOUNTING PRINCIPLE -90,989
PART XII, LINE 2D - OTHER ADJUSTMENTS		CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 308,019 LOSS ON REFINANCING -22,511 RECLASSIFICATION OF ACCUMULATED LOSSES ON INTEREST RATE SWAP -60,509
PART XII, LINE 4B - OTHER ADJUSTMENTS		GRANTS AND CONTRIBUTIONS RECORDED IN FUND BALANCE FOR FINANCIAL STATEMENTS 748,069 CHANGE IN INTEREST IN AVERA FOUNDATION RECORDED IN FUND BALANCE FOR F/S 255,146 CHANGE IN INTEREST IN MABEE TRUST RECORDED IN FUND BALANCE FOR F/S 119,618

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year			
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 FPG family income limit for eligibility for free care ☐ 100% ☐ 150% ☑ 200% ☐ Other ____ %	3a	Yes	
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	Yes	
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	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Does the organization prepare a community benefit report during the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)		237	822,544		822,544	1 070 %
b Unreimbursed Medicaid (from Worksheet 3, column a)		7,091	7,425,354	5,373,132	2,052,222	2 660 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs		7,328	8,247,898	5,373,132	2,874,766	3 730 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	36	71,654	52,495	475	52,020	0 070 %
f Health professions education (from Worksheet 5)	1	4	6,043		6,043	0 010 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)	48	45,370	152,915		152,915	0 200 %
j **Total** Other Benefits	85	117,028	211,453	475	210,978	0 280 %
k **Total.** Add lines 7d and 7j	85	124,356	8,459,351	5,373,607	3,085,744	4 010 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development	1	500	2,737		2,737	0 %
3	Community support	1	350	3,508		3,508	0 %
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy	1	518	56,192		56,192	0 070 %
8	Workforce development	1	244	1,902		1,902	0 %
9	Other						
10	**Total**	4	1,612	64,339		64,339	0 070 %

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?	1	Yes		
2	Enter the amount of the organization's bad debt expense (at cost)	2	979,933		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance 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, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	24,750,473
6	Enter Medicare allowable costs of care relating to payments on line 5	6	33,664,494
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-8,914,021
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	Yes		
b	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	Yes		

Part IV **Management Companies and Joint Ventures**

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

Part V Facility Information

Section A. Hospital Facilities
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 3

	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)
1	AVERA QUEEN OF PEACE HOSPITAL 525 NORTH FOSTER STREET MITCHELL,SD 57301	X	X					X		3 PROVIDER BASED CLINICS
2	AVERA WESKOTA MEMORIAL MEDICAL CENTER 609 1ST STREET NE WESSINGTON SPRINGS,SD 57382	X				X		X		
3	AVERA DE SMET MEMORIAL HOSPITAL 306 PRAIRIE AVENUE SW DE SMET,SD 57231	X				X		X		

Part V **Facility Information** *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? **2**

	Name and address	Type of Facility (Describe)
1	AVERA BRADY ASSISTED LIVING 1414 W CEDAR AVE MITCHELL, SD 57301	ASSISTED LIVING
2	AVERA BRADY ASSISTED LIVING 1414 W CEDAR AVE MITCHELL, SD 57301	ASSISTED LIVING
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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

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

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

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

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

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

Identifier	ReturnReference	Explanation
		PART I, LINE 3C TO DETERMINE ELIGIBILITY FOR CHARITY CARE, AVERA QUEEN OF PEACE HOSPITAL HAS DEVELOPED A TEST WHICH UTILIZES A COMBINATION OF HOUSEHOLD INCOME, HOUSEHOLD ASSETS, AND ALSO CONSIDERS UNPAID PAST AND ONGOING MEDICAL EXPENSES CHARITY DISCOUNT MAY RANGE FROM 0 - 100% DEPENDING ON SCORE

Identifier	ReturnReference	Explanation
		PART I, LINE 6A PART 1, LINE 6A OUR COMMUNITY BENEFIT REPORT IS CONTAINED IN A REPORT PREPARED BY AVERA HEALTH, A RELATED ORGANIZATION IT IS AVAILABLE THROUGH THE WEBSITE AND REQUESTED MAILING, AND IS FILED WITH THE CATHOLIC HEALTH ASSOCIATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 CHARITY CARE AND UNREIMBURSED MEDICAID WAS CONVERTED TO COST USING THE COST TO CHARGE RATIO IN IRS WORKSHEET 2 THE AMOUNTS ON LINES 7E-I REPRESENT EXPENSES REPORTED IN THE GENERAL LEDGER

Identifier	ReturnReference	Explanation
		PART I, LINE 7G SUBSIDIZED HEALTH SERVICES INCLUDES COSTS OF $1,336,019 RELATED TO RURAL HEALTH CLINICS

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) AQOP BAD DEBT EXPENSE OF $2,484,698 IS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) BUT EXCLUDED FOR PURPOSES OF CALCULATING THIS PERCENTAGE

Identifier	ReturnReference	Explanation
		PART II AVERA QUEEN OF PEACE SUPPORTS NUMEROUS ECONOMIC DEVELOPMENT ORGANIZATIONS WITH PARTICIPATION AT MEETINGS AND DONATIONS THROUGHOUT ITS SERVICE AREA ADDITIONALLY, AVERA QUEEN OF PEACE WORKS WITH DAKOTA WESLEYAN UNIVERSITY, THE MITCHELL TECHNICAL INSTITUTE, AND LOCAL HIGH SCHOOLS TO ADDRESS HEALTHCARE WORKER SHORTAGES IN THE COMMUNITIES OF ITS SERVICE AREA

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT WAS CONVERTED TO COST USING THE COST TO CHARGE RATIO DERIVED FROM IRS WORKSHEET 2 BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF REDUCES BAD DEBT EXPENSE IN THE CURRENT YEAR NOTE FROM FINANCIAL STATEMENT PATIENT AND RESIDENT RECEIVABLES ARE UNCOLLATERALIZED PATIENT, RESIDENT AND THIRD-PARTY PAYOR OBLIGATIONS PAYMENTS OF PATIENT AND RESIDENT RECEIVABLES ARE ALLOCATED TO THE SPECIFIC CLAIMS IDENTIFIED ON THE REMITTANCE ADVICE OR, IF UNSPECIFIED, ARE APPLIED TO THE EARLIEST UNPAID CLAIM THE CARRYING AMOUNT OF PATIENT AND RESIDENT RECEIVABLES IS REDUCED BY A VALUATION ALLOWANCE THAT REFLECTS MANAGEMENT'S ESTIMATE OF AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS, RESIDENTS AND THIRD-PARTY PAYORS MANAGEMENT REVIEWS PATIENT AND RESIDENT RECEIVABLES BY PAYOR CLASS AND APPLIES PERCENTAGES TO DETERMINE ESTIMATED AMOUNTS THAT WILL NOT BE COLLECTED FROM THIRD PARTIES UNDER CONTRACTUAL AGREEMENTS AND AMOUNTS THAT WILL NOT BE COLLECTED FROM PATIENTS AND RESIDENTS DUE TO BAD DEBTS MANAGEMENT CONSIDERS HISTORICAL WRITE OFF AND RECOVERY INFORMATION IN DETERMINING THE ESTIMATED BAD DEBT PROVISION MANAGEMENT ALSO REVIEWS ACCOUNTS TO DETERMINE IF CLASSIFICATION AS CHARITY CARE IS APPROPRIATE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CMS AVERA QUEEN OF PEACE FOLLOWS THE CHA GUIDELINES IN REPORTING COMMUNITY BENEFITS AND THEREFORE ANY MEDICARE SHORTFALL (AS CALCULATED INCLUDING OUR NON-COST REPORT ENTITIES) IS EXCLUDED FROM OUR COMMUNITY BENEFIT REPORT HOWEVER, MEDICARE IS THE ORGANIZATION'S LARGEST PAYER AND PATIENTS WITH MEDICARE COVERAGE ARE ACCEPTED REGARDLESS OF WHETHER OR NOT A SURPLUS OR DEFICIT IS REALIZED FROM PROVIDING THE SERVICES THIS BASIS THEREFORE MEANS PROVIDING MEDICARE SERVICES PROMOTES ACCESS TO HEALTHCARE SERVICES WHICH IS A KEY ADVANTAGE FOR OUR COMMUNITY

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF THE PATIENT QUALIFIES FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME, UNINSURED PATIENTS AND IS COOPERATING WITH THE ORGANIZATION WITH REGARD TO EFFORTS TO SETTLE AN OUTSTANDING BILL WITHIN A REASONABLE TIME PERIOD, THE ORGANIZATION OR IT'S AGENT SHALL NOT SEND, NOR INTIMATE THAT IT WILL SEND, THE UNPAID BILL TO ANY OUTSIDE AGENCY IF DOING SO MAY NEGATIVELY IMPACT A PATIENT'S CREDIT AT SUCH TIME AS THE ORGANIZATION SENDS THE UNCOLLECTED ACCOUNT TO AN OUTSIDE COLLECTION AGENCY, THE AMOUNT REFERRED TO THE AGENCY SHALL REFLECT THE REDUCED-PAYMENT LEVEL FOR WHICH THE PATIENT WAS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME UNINSURED PATIENTS ANY EXTENDED PAYMENT PLANS OFFERED BY A HOSPITAL IN SETTLING THE OUTSTANDING BILLS OF LOW INCOME, UNINSURED PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SHALL BE INTEREST-FREE SO LONG AS THE REPAYMENT SCHEDULE IS MET

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 COMMUNITY NEEDS ASSESSMENTS OCCUR AT VARIOUS LOCATIONS THROUGHOUT THE AVERA QUEEN OF PEACE REGION AND AVERA HEALTH SYSTEM ANNUAL BOARD PLANNING SESSIONS TAKE PLACE AT ALL FACILITIES IN THE AVERA QUEEN OF PEACE REGION BOARD MEMBERS AND OTHER COMMUNITY LEADERS REVIEW AND DISCUSS SUCCESSES, CHALLENGES, AND SERVICE GAPS IN THEIR COMMUNITIES NEEDS ARE IDENTIFIED AND RESOURCES DIRECTED TO ADDRESS THESE NEEDS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 PRINTED NOTICES ARE POSTED IN VISIBLE LOCATIONS EXPERIENCING HIGH VOLUMES OF INPATIENT OR OUTPATIENT REGISTRATIONS SUCH AS THE ADMITTING OFFICE, THE BILLING/BUSINESS OFFICE, AND EMERGENCY DEPARTMENT AS WELL AS THE ORGANIZATION WEBSITE PATIENTS ARE ALSO MADE AWARE OF POSSIBLE ELIGIBILITY ON THE ADMISSION AUTHORIZATION FORM AND PATIENT INFORMATION BOOKLETS IN ALL HOSPITAL PATIENT ROOMS A BROCHURE ENTITLED "MANAGING YOUR HEALTH CARE EXPENSES" IS PROVIDED TO ALL SELF-PAY PATIENTS THE AQOP PATIENT ADVOCATE WORKS WITH UNINSURED/UNDERINSURED PATIENTS TO ENROLL THEM IN APPLICABLE SOCIAL SERVICE PROGRAMS AND/OR IDENTIFY CHARITY, COUNTY OR RISK POOL ELIGIBILITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE PRIMARY SERVICE AREA OF AVERA QUEEN OF PEACE HOSPITAL CONSISTS OF THE COUNTIES OF DAVISON, AURORA, HANSON, AND SANBORN THE 2010 CENSUS LISTED A TOTAL POPULATION OF 27,900 WITHIN THESE FOUR COUNTIES AVERA QUEEN OF PEACE HAS A SECONDARY SERVICE AREA OF 18 VERY RURAL COUNTIES SURROUNDING THE PRIMARY SERVICE AREA

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 AVERA QUEEN OF PEACE IS A VERIFIED LEVEL III TRAUMA CENTER AND OPERATES AN EMERGENCY DEPARTMENT STAFFED 24 HOURS PER DAY WITH BOARD CERTIFIED PHYSICIANS EMERGENCY CARE IS PROVIDED ON AN OPEN DOOR BASIS REGARDLESS OF ABILITY TO PAY AVERA QUEEN OF PEACE LEASES OR MANAGES THREE CRITICAL ACCESS HOSPITALS WHICH PROVIDE A BROAD RANGE OF INPATIENT, OUTPATIENT SERVICES AND 24 HOUR EMERGENCY ROOMS IN 3 VERY RURAL COMMUNITIES AVERA QUEEN OF PEACE OWNS THREE RURAL HEALTH CLINICS WHICH PROVIDE PRIMARY CARE SERVICES IN THREE RURAL COMMUNITIES SIMILAR TO THE HOSPITALS IN THE AQOP REGION, THESE CLINICS ARE OPERATED ON AN OPEN DOOR BASIS AND CARE IS PROVIDED REGARDLESS OF ABILITY TO PAY MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL LICENSED AND QUALIFIED APPLICANTS THE AVERA QUEEN OF PEACE BOARD OF DIRECTORS IS PRINCIPALLY COMPRISED OF COMMUNITY MEMBERS FROM THE PRIMARY AND SECONDARY SERVICES AREAS MEMBERS COME FROM A VARIETY OF BACKGROUNDS INCLUDING BANKING, EDUCATION, AGRICULTURE, HEALTHCARE, AND PRIVATE INDUSTRY

Identifier	ReturnReference	Explanation
		PART VI, LINE 7 AVERA IS A SPONSORED MINISTRY OF THE BENEDICTINE AND PRESENTATION SISTERS THE COMMUNITIES IN WHICH AVERA HEALTH OPERATES ALL HAVE UNIQUE HEALTH AND COMMUNITY BENEFITS NEEDS IN KEEPING WITH CATHOLIC HEALTH ASSOCIATION GUIDELINES, EACH HOSPITAL STRIVES TO MEET ITS COMMUNITY'S IDENTIFIED NEEDS THE CORPORATE STAFF OF AVERA HEALTH ADVOCATES FOR ALL MEMBERS REGARDING COMMUNITY BENEFIT RELATED MATTERS OF STATE, REGIONAL AND NATIONAL IMPORTANCE

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Part II can be duplicated if additional space is needed. . . . . ▶ ☐

1 (a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) MITCHELL CHARITABLE FOUNDATIONPO BOX 1366 MITCHELL,SD 57301	46-0390971	501(C)(3)	5,000				DONATION
(2) MITCHELL TECH INSTITUTE FOUNDATION 821 N CAPITAL MITCHELL,SD 57301	46-0452950	501(C)(3)	45,000				DONATION
(3) UNIVERSITY OF SOUTH DAKOTA414 E CLARK ST VERMILLION,SD 57069	46-6018891	501(C)(3)	24,000				DONATION
(4) ABBOTT HOUSE INC 909 COURT MERRILL MITCHELL,SD 57301	46-0229822	501(C)(3)		21,793	PURCHASE PRICE	EXERCISE EQUIPMENT	DONATION
(5) MITCHELL AREA DEVELOPMENT CORPORATION610 N MAIN ST MITCHELL,SD 57301	46-0394983	501(C)(3)	10,000				DONATION

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 5

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

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22. 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.

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 TAX-EXEMPT UNDER SECTION 501(C)(3)

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement orprovision of all the expenses described above? If "No," complete Part III to explain	**1b**		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	**2**		
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 with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	**4a**		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	**4b**		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	**8**		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	**9**		

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

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

Note. The sum of columns (B)(i)-(iii) 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) Retirement and other 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 reportable compensation				
(1) ROBERT SNORTUM MD	(i)	296,330	38,849	4,038	13,778	20,579	373,574	0
	(ii)	0	0	0	0	0	0	0
(2) TOM RASMUSSON	(i)	0	0	0	0	0	0	0
	(ii)	449,516	0	13,674	12,250	19,998	495,438	0
(3) PATRICK J CLARK	(i)	182,898	37,158	5,018	10,616	8,805	244,495	0
	(ii)	0	0	0	0	0	0	0
(4) JEROME HOWE MD	(i)	178,624	393,251	43,277	11,500	15,806	642,458	0
	(ii)	0	0	0	0	0	0	0
(5) CHRISTOPHER KROUSE MD	(i)	875,753	151,147	78,444	11,500	17,863	1,134,707	0
	(ii)	0	0	0	0	0	0	0
(6) MICHAEL HALEY MD	(i)	190,674	460,315	38,349	11,500	21,668	722,506	0
	(ii)	0	0	0	0	0	0	0
(7) DENNIS LELAND MD	(i)	194,679	501,017	33,071	11,500	17,662	757,929	0
	(ii)	0	0	0	0	0	0	0
(8) BRIAN KAMPMANN MD	(i)	542,949	36,594	52,181	11,500	18,442	661,666	0
	(ii)	0	0	0	0	0	0	0
(9)								
(10)								
(11)								
(12)								
(13)								
(14)								
(15)								
(16)								

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
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART I LINE 3 THE PRESIDENT/CEO'S COMPENSATION IS PAID BY A RELATED ORGANIZATION, AVERA HEALTH AVERA QUEEN OF PEACE RELIED ON THE RELATED ORGANIZATION FOR DETERMINING THE COMPENSATION FOR THE PRESIDENT/CEO USING THE METHODS DESCRIBED IN PART I, LINE 3

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

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

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

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? 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.

Complete if the organization 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	(b) From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) No	(f) Approved by board or committee? Yes	(f) No	(g) Written agreement? Yes	(g) No
(1) CHRISTOPHER KROUSE RECRUITMENT		X	340,000	56,022		No	Yes		Yes	
(2) BRIAN KAMPMANN RECRUITMENT		X	136,000	52,937		No	Yes		Yes	
Total . . . . . ▶ $				108,959						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV **Business Transactions Involving Interested Persons.**

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

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

Part V **Supplemental Information**

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

Identifier	Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2		SISTER KATHLEEN CROWLEY HAS A BUSINESS RELATIONSHIP WITH TOM RASMUSSON

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 B, LINE 11		THE RETURN IS REVIEWED INITIALLY BY THE 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, OFFICERS, AND KEY EMPLOYEES 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 OFFICERS AND DIRECTORS 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 SIX (6) SYSTEM MEMBERS APPOINTED BY THE RELIGIOUS ORDERS, 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 THE SENIOR VP OF FINANCE IS DETERMINED BY HUMAN RESOURCES BASED ON A MARKET ANALYSIS OF COMPARABLE POSITIONS THE COMPENSATION IS APPROVED BY THE CEO

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE NOT AVAILABLE TO THE GENERAL PUBLIC THE ORGANIZATION'S FINANCIAL STATEMENTS ARE ATTACHED TO THE FORM 990 PER IRS INSTRUCTIONS AND THEREFORE ARE AVAILABLE TO THE GENERAL PUBLIC

Identifier	Return Reference	Explanation
	FORM 990, PART VII	IN ADDITION TO THE HOURS SERVED AT AVERA QUEEN OF PEACE HOSPITAL, SISTER KATHLEEN CROWLEY ALSO SERVES 1 HOUR PER WEEK AT BOTH AVERA WORKERS' COMPENSATION TRUST AND AVERA HOLY FAMILY AND 5 HOURS PER WEEK AT AVERA HEALTH SISTER LYNN MARIE WELBIG SERVES AN ADDITIONAL 2 HOURS PER WEEK AT SACRED HEART HEALTH SERVICES

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED GAINS ON INVESTMENTS 3,755,885 CAPITAL CONTRIBUTIONS, NET -129,511 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 308,019 LOSS ON REFINANCING -22,511 CHANGE IN ACCOUNTING PRINCIPLE -90,989 TOTAL TO FORM 990, PART XI, LINE 5 3,820,893

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE AUDIT COMMITTEE OF AVERA HEALTH, PARENT ORGANIZATION, SELECTS THE AUDITOR AND REVIEWS THE AUDITED FINANCIAL STATEMENTS FOR AVERA QUEEN OF PEACE.

Identifier	Return Reference	Explanation
	FORM 990, PART X, LINE 20	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 IN ACCORDANCE WITH IRS INSTRUCTIONS, INFORMATION RELATED TO THE TAX EXEMPT BOND REPORTING IS BEING REPORTED ON AVERA HEALTH'S TAX RETURN (EIN 46-0422673)

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
AVERA QUEEN OF PEACE HOSPITAL

Employer identification number
46-0224604

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

(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 (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) ACCOUNTS MANAGEMENT INC 5132 S CLIFF AVE SUITE 101 SIOUX FALLS, SD57108 46-0373021	COLLECTION AGENCY	SD	N/A	C			
(2) AVERA HEALTH PLANS INC 3900 WEST AVERA DRIVE SUITE 101 SIOUX FALLS, SD57108 46-0451539	HEALTH FINANCING AND HEALTH PLAN ADMINISTRATION	SD	N/A	C			
(3) AVERA PROPERTY INSURANCE INC 610 W 23RD ST STE 1 PO BOX 38 YANKTON, SD57078 46-0463155	INSURANCE	SD	N/A	C			
(4) DR DONALD & MARGUERITE MABEE TRUST C/O FIRST NATIONAL BANK OF SOUTH DA MITCHELL, SD57301 46-6056202	INVESTING	SD	N/A	T	119,618	809,145	100 000 %
(5) VALLEY HEALTH SERVICES 501 SUMMIT STREET YANKTON, SD57078 46-0357149	MEDICAL EQUIPMENT	SD	N/A	C			

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to other organization(s)	1b	Yes	
c Gift, grant, or capital contribution from other organization(s)	1c		No
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		No
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		No
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	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) DR DONALD & MARQUERITE MABEE TRUST			
(2)			
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproprtionate allocations?		(g) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data Return to Form

Software ID:
Software Version:
EIN: 46-0224604
Name: AVERA QUEEN OF PEACE HOSPITAL

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
AVERA HEALTH 3900 WEST AVERA DRIVE SUITE 300 SIOUX FALLS, SD57108 46-0422673	PROMOTION OF HEALTH	SD	501(C)(3)	LINE 9	N/A		No
AVERA WORKERS' COMPENSATION TRUST 3900 WEST AVERA DRIVE SIOUX FALLS, SD57108 46-0407148	ECONOMICAL COVERAGE OF WORKERS' COMPENSATION CLAIMS	SD	501(C)(3)	LINE 11B, II	AVERA HEALTH		No
AVERA ST ANTHONY'S HOSPITAL 300 N 2ND STREET ONEILL, NE68763 47-0463911	HEALTHCARE EDUCATION	NE	501(C)(3)	LINE 3	AVERA HEALTH		No
AVERA HOLY FAMILY 826 NORTH 8TH STREET ESTHERVILLE, IA51334 42-0680370	HEALTHCARE SERVICES	IA	501(C)(3)	LINE 3	AVERA HEALTH		No
AVERA HOLY FAMILY FOUNDATION 826 NORTH 8TH STREET ESTHERVILLE, IA51334 42-1317452	FUNDRAISING	IA	501(C)(3)	LINE 9	AVERA HOLY FAMILY		No
AVERA MARSHALL 300 S BRUCE STREET MARSHALL, MN56258 41-0919153	HEALTHCARE SERVICES	MN	501(C)(3)	LINE 3	AVERA HEALTH		No
AVERA MARSHALL FOUNDATION 300 S BRUCE STREET MARSHALL, MN56258 41-1784801	FUNDRAISING	MN	501(C)(3)	LINE 7	AVERA MARSHALL		No
ST BENEDICT HEALTH CENTER 401 WEST GLYNN DRIVE PARKSTON, SD57366 46-0226738	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
ST BENEDICT HEALTH CENTER FOUNDATION WEST GLYNN DRIVE PO BOX B PARKSTON, SD57366 46-0458725	SUPPORT HEALTH RELATED SERVICES	SD	501(C)(3)	LINE 11A, I	ST BENEDICT HEALTH CENTER		No
AVERA MCKENNAN 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD57117 46-0224743	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
SACRED HEART HEALTH SERVICES 501 SUMMIT STREET YANKTON, SD57078 46-0225483	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
SACRED HEART RURAL HEALTH CLINICS INC 501 SUMMIT STREET YANKTON, SD57078 46-0423930	CLINIC SERVICES	SD	501(C)(3)	LINE 3	SACRED HEART HEALTH SERVICES		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
HEALTH MANAGEMENT SERVICES 501 SUMMIT YANKTON, SD57078 46-0399291	ADULT DAYCARE AND HOMEMAKING SERVICES	SD	501(C)(3)	LINE 9	SACRED HEART HEALTH SERVICES		No
LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY 1000 W 4TH STREET SUITE 9 YANKTON, SD57078 46-0337013	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 9	SACRED HEART HEALTH SERVICES		No
AVERA ST LUKE'S 305 SOUTH STATE STREET ABERDEEN, SD57401 46-0224598	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No

Form 990, Schedule R, 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, unrelated, excluded from tax under sections 512-514)	(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?		(k) Percentage ownership
							Yes	No		Yes	No	
Q&M PROPERTIES LLC 525 NORTH FOSTER MITCHELL, SD57301 73-1652049	MEDICAL CLINIC BUILDING	SD	N/A	EXCLUDED - SEC 512	-15,277	426,344		No		Yes		50 000 %
AVERA HOME MEDICAL EQUIPMENT LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD57117 46-0488198	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
MIDWEST REGIONAL IMAGING SERVICES LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD57117 47-0874983	HEALTH CARE - MEDICAL IMAGING	SD	N/A									
MERSCO MEDICAL OF PIERRE LLC 329 E DAKOTA PIERRE, SD57501 46-0444002	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF FLOYD VALLEY HOSPITAL LLC 714 LINCOLN ST NE LEMARS, IA51031 82-0582350	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF ESTHERVILLE LLC PO BOX 5045 SIOUX FALLS, SD57117 20-1686097	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SIOUX CENTER LLC 38 19TH ST SW SIOUX CENTER, IA51250 75-3203100	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF MARSHALL LLC 1104 EAST COLLEGE DRIVE MARSHALL, MN56258 20-5271924	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									

Form 990, Schedule R, 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, unrelated, excluded from tax under sections 512-514)	(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?		(k) Percentage ownership
							Yes	No		Yes	No	
AVERA HOME MEDICAL EQUIPMENT OF SPENCER HOSPITAL LLC 2400 S MINNESOTA AVE 102 SIOUX FALLS, SD57117 80-0619999	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC 310 S PENNSYLVANIA ST ABERDEEN, SD57401 46-0461429	SURGICAL ASSOCIATES	SD	N/A									
HEART HOSPITAL OF SOUTH DAKOTA LLC 10720 SIKES PLACE SUITE 300 CHARLOTTE, NC28277 56-2143771	HEALTHCARE SERVICES	NC	N/A									

Financial Statements
June 30, 2011 and 2010

Avera Queen of Peace

Avera Queen of Peace

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June 30, 2011 and 2010

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Avera Queen of Peace
Mitchell, South Dakota

We have audited the accompanying balance sheets of Avera Queen of Peace (Organization) as of June 30, 2011 and 2010, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avera Queen of Peace as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Sioux Falls, South Dakota
September 27, 2011

200 E 10th St, Ste 500 · P O Box 5125 ; Sioux Falls, SD 57117-5125 · T 605 339 1999 F 605 339 1306 ; EOE

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	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 3,286,441	$ 3,760,652
Assets limited as to use	433,117	126,103
Deferred compensation trust	544,037	561,013
Receivables		
Patient and resident, net of estimated uncollectibles, charity, and other allowances of $11,735,000 in 2011 and $10,400,000 in 2010	11,191,672	11,418,757
Other	786,901	1,073,753
Supplies	1,222,612	1,429,864
Prepaid expenses	653,214	374,967
Total current assets	18,117,994	18,745,109
Assets Limited as to Use		
Under indenture agreements	433,117	126,103
By Board for capital improvements and debt redemption	45,188,582	34,242,617
Interest in net assets of Avera Health Foundation	2,295,037	1,909,598
Beneficial interest in Mabee Trust	809,145	725,933
	48,725,881	37,004,251
Less portion in current assets	433,117	126,103
Noncurrent assets limited as to use	48,292,764	36,878,148
Property and Equipment	37,187,209	37,655,168
Other Assets		
Other receivables, net of allowance for uncollectibles of $49,279 in 2011 and $49,279 in 2010	428,394	418,851
Investment in affiliated organizations	262,853	296,870
Real estate held for future use, net of accumulated depreciation of $943,494 in 2011 and $886,027 in 2010	1,109,295	1,169,808
Deferred financing costs, net of accumulated amortization of $22,952 in 2011 and $11,610 in 2010	119,562	150,248
Other intangible assets, net of accumulated amortization of $58,699 in 2011 and $41,309 in 2010	306,230	196,516
Goodwill, net of accumulated amortization of $181,250 in 2011 and $90,261 in 2010	-	90,989
Total other assets	2,226,334	2,323,282
	$ 105,824,301	$ 95,601,707

See Notes to Financial Statements

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 628,655	$ 126,087
Accounts payable		
Trade	2,262,790	1,705,220
Estimated third-party payor settlements	783,966	950,000
Accrued expenses		
Salaries and wages	1,680,479	1,351,634
Paid time off benefits	2,411,898	2,096,170
Taxes, withholdings, and other	568,670	621,849
Interest	5,161	13,017
Deferred compensation due to employees	544,037	561,013
Deferred revenue	128,877	458,487
Total current liabilities	9,014,533	7,883,477
Long-Term Debt, Less Current Maturities	21,930,199	22,262,117
Other Liabilities		
Derivative liability	1,845,240	2,153,259
Total liabilities	32,789,972	32,298,853
Net Assets		
Unrestricted	70,490,116	61,096,999
Temporarily restricted	1,748,895	1,412,272
Permanently restricted	795,318	793,583
Total net assets	73,034,329	63,302,854
	$ 105,824,301	$ 95,601,707

	2011	2010
Unrestricted Revenues, Gains, and Other Support		
Net patient and resident service revenue	$ 80,739,311	$ 76,393,932
Other revenue	2,273,465	2,467,610
Total unrestricted revenues, gains, and other support	83,012,776	78,861,542
Expenses		
Salaries and wages	37,332,171	36,432,540
Employee benefits	10,432,202	10,305,119
Professional fees	1,250,276	656,230
Purchased services	2,502,381	2,623,220
Supplies	9,615,614	9,052,920
Repairs and maintenance	1,250,050	1,232,640
Other expenses	7,890,213	7,242,376
Insurance	715,535	695,118
Utilities and telephone	1,388,124	1,349,268
Interest	771,815	528,241
Depreciation and amortization	4,048,638	4,083,067
Provision for bad debts	2,384,264	2,484,698
Total expenses	79,581,283	76,685,437
Operating Income	3,431,493	2,176,105
Other Income (Loss)		
Investment income	5,074,151	1,733,366
Rental property, net	(131,597)	(42,436)
Change in interest in net assets of Avera Health Foundation	159,119	214,618
Gain (loss) on disposal of property and equipment	5,567	(6,316)
Loss on debt extinguishment	(22,511)	-
Change in fair value of interest rate swap	308,019	(572,820)
Reclassification of accumulated losses on interest rate swap	(60,509)	(60,509)
Unrestricted contributions	55,415	92,727
Other nonoperating loss	(50,514)	(33,145)
Total other income, net	5,337,140	1,325,485
Revenues in Excess of Expenses	8,768,633	3,501,590
Reclassification of Accumulated Losses on Interest Rate Swap	60,509	60,509
Change in Accounting Principle	(90,989)	-
Equity Transfers	(129,511)	(1,540,778)
Grants and Contributions for Capital Purposes	748,069	807,407
Net Assets Released from Restrictions for Capital	36,406	43,103
Increase in Unrestricted Net Assets	$ 9,393,117	$ 2,871,831

Avera Queen of Peace
Statements of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted Net Assets		
Revenues in excess of expenses	$ 8,768,633	$ 3,501,590
Reclassification of accumulated losses on interest rate swaps	60,509	60,509
Change in accounting principle	(90,989)	-
Equity transfers	(129,511)	(1,540,778)
Grants and contributions for capital purposes	748,069	807,407
Net assets released from restrictions for capital	36,406	43,103
Increase in unrestricted net assets	9,393,117	2,871,831
Temporarily Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	253,411	209,525
Change in beneficial interest in Mabee Trust	119,618	29,618
Net assets released from restrictions for capital	(36,406)	(43,103)
Increase in temporarily restricted net assets	336,623	196,040
Permanently Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	1,735	(239,297)
Increase in Net Assets	9,731,475	2,828,574
Net Assets, Beginning of Year	63,302,854	60,474,280
Net Assets, End of Year	$ 73,034,329	$ 63,302,854

	2011	2010
Operating Activities		
Change in net assets	$ 9,731,475	$ 2,828,574
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains and losses on investments	(5,007,960)	(1,684,663)
Change in fair value of interest rate swap	(308,019)	572,820
Equity transfers	129,511	1,540,778
Depreciation and amortization	4,341,671	4,363,279
(Gain) loss on disposal of property and equipment	(5,567)	6,316
Loss on debt extinguishment	22,511	-
Loss on investments recognized on the equity method	173,302	137,802
Undistributed portion of change in interest in net assets of foundations and trusts	(468,651)	(171,359)
Grants and contributions, restricted for capital	(748,069)	(807,407)
Change in assets and liabilities		
Receivables	588,656	2,783,960
Supplies	213,398	38,240
Prepaid expenses	(278,247)	728,482
Accounts payable	371,957	(1,528,111)
Accrued expenses	583,538	(331,736)
Deferred revenue	(329,610)	(165,193)
Net Cash from Operating Activities	9,009,896	8,311,782
Investing Activities		
Purchase of property and equipment	(3,259,263)	(2,807,768)
Increase in assets limited as to use	(6,245,019)	(3,724,878)
Acquisition of clinics	(310,000)	-
Investments in equity investees, net of distributions	(139,285)	(15,472)
Net Cash used for Investing Activities	(9,953,567)	(6,548,118)
Financing Activities		
Equity transfers	(129,511)	(1,540,778)
Repayment of long-term debt	(134,113)	(116,796)
Grants and contributions, restricted for capital	748,069	807,407
Payment of deferred financing costs	(14,985)	-
Net Cash from (used for) Financing Activities	469,460	(850,167)
Net (Decrease) Increase in Cash and Cash Equivalents	(474,211)	913,497
Cash and Cash Equivalents, Beginning of Year	3,760,652	2,847,155
Cash and Cash Equivalents, End of Year	$ 3,286,441	$ 3,760,652

	2011	2010
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 756,511	$ 510,035
Supplemental Disclosure of Noncash Investing Activities		
Accounts payable - construction in progress	$ 19,579	$ 25,656
Supplemental Disclosure of Noncash Investing Activities		
Property and equipment acquired through capital lease obligations	$ 304,763	$ -

Note 1 - Organization and Significant Accounting Policies

Organization

Avera Queen of Peace ("Organization") operates a 120-bed acute care hospital and an 84-bed nursing home in Mitchell, South Dakota, and two critical access hospitals ("CAH"), Avera Weskota Memorial Medical Center ("Weskota"), a 25-bed CAH in Wessington Springs, South Dakota and Avera De Smet Memorial Hospital ("De Smet"), a 17-bed CAH in De Smet, South Dakota. The Organization operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established by Avera Health, the sole member of the Organization and a sponsored ministry of the Benedictine and Presentation Sisters.

Income Taxes

The Organization is a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use and deferred compensation trust assets.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

Supplies

Supplies are valued at lower of cost (first-in, first-out) or market.

Investments and Investment Income

Investments with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges. Investment income or loss (including interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Investment income on funds held under indenture agreements is recorded as other operating revenue while all other investment income is recorded as nonoperating revenue in the statement of operations.

The Organization participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Certain alternative investments held within the Avera Pooled Investment Fund include liquidity and redemption limitations. Alternative investments representing less than 3% ownership interest are carried at cost, subject to an annual review for impairment. Alternative investments representing greater than 3% ownership interest are recorded using the equity method. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund.

Investments in Affiliated Organizations

Investments in partnerships and limited liability companies in which the Organization has the ability to exercise significant influence over operating and financial policies but does not have operational control are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize the Organization's share of earnings and losses of those entities, net of any additional investments or distributions. The Organization's share of net earnings or losses of the entities is included in other operating revenue.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and debt redemption, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by a trustee under indenture agreements; assets held by the Avera Health Foundation; and assets held under the Mabee Trust agreement. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820-10, Fair Value Measurements and Disclosures, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Property and Equipment

Property and equipment acquisitions in excess of $2,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of property and equipment are as follows:

Land improvements	3-25 years
Buildings and improvements	5-40 years
Equipment	3-20 years

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

Deferred Financing Costs

Deferred financing costs are amortized over the period the related obligation is outstanding using the effective interest method or the straight-line method. Amortization of deferred financing costs is included in interest expense in the financial statements.

Intangible Assets

The Organization amortizes other intangible assets using the straight-line method over their estimated useful life of 15 years. Amortization of other intangible assets, excluding amortization of deferred financing costs, is also included in depreciation and amortization in the financial statements.

Goodwill

Goodwill represents the excess of cost over the fair value of the net assets acquired. Through June 30, 2010, the Organization amortized goodwill on a straight-line basis over a period of 8 to 40 years. As of June 30, 2010, the Organization had goodwill of $90,989, net of accumulated amortization. Beginning in fiscal year 2011, on an annual basis and at interim periods when circumstances require, the Organization is required to test the recoverability of its goodwill. The goodwill testing utilizes a two-step impairment analysis, whereby the Organization compares the carrying value of each identified reporting unit to its fair value. If the carry value of the reporting unit is greater than its fair value, the second step is performed, where the implied fair value of goodwill is compared to its carrying value. The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The fair value of the reporting unit is estimated using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit. The Organization's discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of the Organization's reporting unit.

As of July 1, 2010, the Organization was required under accounting standards to cease amortization of goodwill and perform an annual test for impairment of the goodwill balance. As of July 1, 2010, management performed a transitional goodwill impairment evaluation, similar to the two-step annual impairment analysis, in accordance with generally accepted accounting principles. Management determined that goodwill totaling $90,989 was impaired.

Deferred Revenue

The Organization recognizes deferred revenue for amounts received for which the services have not yet been performed. Grants that are considered exchange transactions are also recorded as deferred revenue when the Organization receives grant money in advance of qualifying grant expenditures. Grant revenue is recognized and included in income at the time qualifying expenditures are made by the Organization.

Deferred Compensation

Prior to July 1, 2010, the Organization maintained a deferred compensation program for the benefit of key management executives and physicians. The plan was administered by a third party. Contributions under the former plan were invested in mutual funds and subsequently distributed as provided by the plan. The plan was discontinued effective July 1, 2010. As of June 30, 2011, plan assets and liabilities are classified as current within the balance sheet as the plan assets are to be distributed during the year ended June 30, 2012.

Temporarily and Permanently Restricted Net Assets

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

Interest in Net Assets of Avera Health Foundation

Avera Health Foundation, an affiliate of the Organization, solicits contributions and holds funds on behalf of the Organization. The Organization's interest in the foundation is recorded in assets limited as to use in the accompanying financial statements. Changes in the funds held by the Foundation are recorded as changes in interest in net assets of Avera Health Foundation in the accompanying financial statements.

Beneficial Interest in Mabee Trust

The Dr. Donald and Marguerite E. Mabee Trust was created by the late Marguerite E. Mabee to be administered at the discretion of the trustees for the sole purpose of purchasing equipment and/or furnishings for the Organization. This trust fund is recorded in assets limited as to use in the accompanying financial statements at an amount equal to the fair value of the specific assets held by the trust. Changes in the funds held by the Trust are recorded as change in beneficial interest in Mabee Trust in the accompanying financial statements.

Revenues in Excess of Expenses

Revenues in excess of expenses excludes the cumulative effect of any changes in accounting principles, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors, and net assets released from restrictions for capital purchases.

Net Patient and Resident Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

To fulfill its mission of community service, the Organization provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of the amounts determined to qualify as charity care, they are not reported as patient and resident service revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Market Risk

The Organization's policy for managing risk related to its exposure to variability in interest rates and other relevant market rates and prices include consideration of entering into derivative instruments (freestanding derivatives), or contracts or instruments containing features or terms that behave in a manner similar to derivative instruments (embedded derivatives) in order to mitigate its risks. The Organization recognizes all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value (See Note 10).

Note 2 - Charity Care and Community Benefit

The Organization maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. These amounts do not include those services that are provided to patients and residents covered by Medicare, Medicaid, state agencies, county, and other third-party payors where less than full charges are received.

The amounts of charges foregone, based on established rates, were $1,928,334 and $1,717,042 for the years ended June 30, 2011 and 2010, respectively.

The Organization also provides community benefit health activities at less than or at no cost to support those in the area served. These activities include, but are not limited to, community education programs; clinic services and special programs for the elderly, handicapped, and medically underserved; and a variety of broad community support activities. During the years ended June 30, 2011 and 2010, examples of specific activities included meals delivered to residential homes; meeting facilities; programs for patients and families suffering from cancer, diabetes, breathing disorders, and others; assistance to health educators and physicians; emergency healthcare providers; wellness programs; and overnight housing for families of hospitalized patients.

Note 3 - Net Patient and Resident Service Revenue

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

Medicare – Prospective Payment System (PPS): Inpatient acute care services and outpatient services provided to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2008. Clinic services are paid on a cost-based methodology subject to limits if the clinic is a rural health clinic, and are reimbursed on a fixed fee schedule for other clinics.

Medicare – Critical Access Hospital (CAH): Two of the Organization's entities, Avera Weskota Memorial Medical Center and Avera De Smet Memorial Hospital, are licensed as CAH's. The hospitals are reimbursed for most inpatient and outpatient services at cost plus one percent with final settlement determined after submission of annual cost reports by the hospitals which are subject to audits thereof by the Medicare intermediary. The hospital's cost reports have been settled by the Medicare program through June 30, 2009.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid program. The Organization's Medicaid cost reports have been settled by the Medicaid program through June 30, 2007.

Wellmark-Blue Cross: Services rendered to Wellmark-Blue Cross subscribers are reimbursed under a prospectively determined percentage of charges methodology.

Nursing Home - Medicare and Medicaid: The Organization participates in the Medicare program for which payment for resident services is made on a prospectively determined per diem rate which varies based on a case-mix resident classification system. The Organization is reimbursed for Medicaid nursing home services at established billing rates which are determined on a cost-related basis subject to certain limitations as prescribed by the South Dakota Department of Social Services regulations. These rates are subject to retroactive adjustment by field audit.

The Organization has also entered into payment agreements with certain commercial and managed care insurance carriers and other organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is an ongoing level of uncertainty relative to the estimated liability for prior period cost reports. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue for the year ended June 30, 2011 increased approximately $900,000 due to differences in estimated and actual cost report settlements and due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations. There was no material impact to net patient revenues related to changes in cost report estimates for the year ended June 30, 2010.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Total patient and resident service revenue	$ 160,882,471	$ 153,711,176
Contractual adjustments		
Medicare	49,809,782	48,647,197
Medicaid	8,482,275	8,926,722
Blue Cross	10,394,562	8,513,458
Other and clinics	11,456,541	11,229,867
Total contractual adjustments	80,143,160	77,317,244
Net patient and resident service revenue	$ 80,739,311	$ 76,393,932

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2011 and 2010, is set forth in the following table.

	2011	2010
Under indenture agreement - held by trustee		
Cash and cash equivalents	$ 433,117	$ 126,103
Less amount shown as current	(433,117)	(126,103)
	$ -	$ -
By Board for capital improvements and debt redemption		
Cash and cash equivalents	$ 5,902,690	$ 4,694
Corporate bonds and notes	411,869	69,278
Certificates of deposit	255,173	577,702
Fixed income mutual funds	230,534	210,140
Interest in Pooled Investment Fund *	38,383,831	33,375,874
Interest receivable	4,485	4,929
	$ 45,188,582	$ 34,242,617
Interest in net assets of Avera Health Foundation		
Interest in Pooled Investment Fund *	$ 2,295,037	$ 1,909,598
Interest in net assets of Mabee Trust		
Cash and cash equivalents	$ 59,647	$ 19,757
Corporate bonds and notes	23,833	88,763
US agency obligations	25,176	26,328
Fixed income mutual funds	262,508	-
Equity mutual funds	436,733	591,085
Interest receivable	1,248	-
	$ 809,145	$ 725,933
Deferred compensation trust		
Cash and cash equivalents	$ 16,571	$ 108,343
Fixed income mutual funds	119,241	102,683
Equity mutual funds	408,225	349,987
	$ 544,037	$ 561,013

Pooled Investment Fund*

The Organization is a participant in the Avera Pooled Investment Fund, a fund administered by Avera Health that is maintained for the benefit of facilities that are sponsored, operated, or managed by Avera Health. Investments are made in conformity with the objectives and guidelines of the Avera Health Pooled Investment Committee. Within the fund, facilities share in a pool of investments that are managed by various fund managers. Asset valuation and income and losses of the fund are allocated to participating members based on the carrying amount of their investment in the fund. The Pooled Investment Fund includes investments in securities that are measured at fair value using inputs under the guidance provided by FASB ASC 820. The Pooled Investment Fund also contains investments that are recorded at historical cost or under the equity method as described in the Fund's investment policy.

As of June 30, 2011 and 2010, the Avera Pooled Investment Fund assets consisted of the following types of investments:

	2011	2010
Publicly traded equity mutual funds	21.0%	12.1%
US Treasury and Agency obligations	13.4%	18.9%
Publicly traded equity securities	13.2%	12.9%
Non-publicly traded alternative investments		
Hedge fund	10.1%	9.9%
Real asset	5.4%	6.7%
Foreign stocks	8.5%	7.5%
Publicly traded fixed income mutual funds	7.3%	6.2%
Cash and short-term investments	6.7%	10.3%
Corporate bonds	5.2%	5.8%
Institutional equity mutual funds	3.8%	3.6%
Institutional fixed income mutual funds	2.7%	3.2%
Other fixed income	2.7%	2.9%
	100.0%	100.0%

As of June 30, 2011 and 2010, the valuations of investments within the Avera Pooled Investment Fund were as follows:

	2011	2010
Fair value - Level 1 inputs	56.7%	49.0%
Fair value - Level 2 inputs	27.9%	34.4%
Fair value - Level 3 inputs	0.0%	0.0%
Cost basis or equity method	15.4%	16.6%
	100.0%	100.0%

Investment Income

Investment income and gains and losses on assets limited as to use, cash equivalents, and other investments consists of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Other revenue		
Interest income	$ 6,511	$ 6,644
Other income		
Interest income	$ 66,191	$ 48,703
Realized gains on investments, net	1,252,075	451,638
Change in unrealized gains and losses on investments	3,755,885	1,233,025
	$ 5,074,151	$ 1,733,366

Note 5 - Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis at June 30, 2011 and 2010, respectively, are as follows:

	2011	2010
Cash and cash equivalents	$ 6,395,454	$ 150,554
Certificates of deposit	255,173	577,702
U.S. Government Agency obligations	25,176	26,328
Corporate bonds and notes	435,702	158,041
Fixed income mutual funds	493,042	210,140
Equity mutual funds	436,733	591,085
Deferred compensation trust	544,037	561,013
Total assets	$ 8,585,317	$ 2,274,863
Interest rate swap agreement liability	$ 1,845,240	$ 2,153,259

The related fair values of assets and liabilities measured at fair value on a recurring basis are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2011			
Cash and cash equivalents	$ 6,395,454	$ -	$ -
Certificates of deposit	-	255,173	-
U.S. Government Agency obligations	-	25,176	-
Corporate bonds and notes	-	435,702	-
Fixed income mutual funds	493,042	-	-
Equity mutual funds	436,733	-	-
Deferred compensation trust			
Cash and cash equivalents	16,571	-	-
Fixed income mutual funds	119,241	-	-
Equity mutual funds	408,225	-	-
Total assets	$ 7,869,266	$ 716,051	$ -
Interest rate swap agreement liability	$ -	$ 1,845,240	$ -
June 30, 2010			
Cash and cash equivalents	$ 150,554	$ -	$ -
Certificates of deposit	-	577,702	-
U.S. Government Agency obligations	-	26,328	-
Corporate bonds and notes	-	158,041	-
Fixed income mutual funds	210,140		
Equity mutual funds	591,085	-	-
Deferred compensation trust			
Cash and cash equivalents	108,343	-	-
Fixed income mutual funds	102,683	-	-
Equity mutual funds	349,987	-	-
Total assets	$ 1,512,792	$ 762,071	$ -
Interest rate swap agreement liability	$ -	$ 2,153,259	$ -

The fair value for each of the assets listed in the table as being measured using Level 1 inputs are determined by reference to quoted market prices. The fair values for certificates of deposit are valued based on Level 2 inputs for similar securities with comparable terms. The fair value of the interest rate swap is based upon estimates of the related LIBOR swap rates during the term of the swap agreement.

The Organization considers the carrying amount of significant classes of financial instruments on the balance sheets, including cash and cash equivalents, net accounts receivable, assets limited as to use, other assets, accounts payable, accrued liabilities, derivative liabilities, other current and long-term liabilities, and variable rate long-term debt to be reasonable estimates of fair value either due to their length of maturity or the existence of variable interest rates underlying such financial instruments that approximate prevailing market rates at June 30, 2011 and 2010.

The Organization has an interest in the Avera Pooled Investment Fund which includes alternative investments with no readily determinable market value. These investments are recorded at cost by the Avera Pooled Investment Fund. The allocated difference between the carrying value and the fair value of the Organization's interest in the Avera Pooled Investment Fund was not considered material as of June 30, 2011 and 2010.

Note 6 - Property and Equipment

A summary of property and equipment at June 30, 2011 and 2010, is as follows:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 1,164,024	$ -	$ 953,109	$ -
Land improvements	1,352,909	1,129,588	1,292,161	1,089,332
Buildings and improvements	50,179,690	24,777,545	49,783,894	23,370,541
Equipment	31,684,898	21,643,535	28,973,942	19,061,187
Construction in progress	356,356	-	173,122	-
	$ 84,737,877	$ 47,550,668	$ 81,176,228	$ 43,521,060
Net property and equipment		$ 37,187,209		$ 37,655,168

Construction in progress at June 30, 2011, consists of costs for the construction of an urgent care center, nursing home sprinkler system, and various other planning, remodeling and facility improvement projects. The estimated cost to complete the urgent care center and nursing home sprinkler projects is $385,000 which will be financed with Organization funds.

Note 7 - Investment in Affiliated Organizations

The Organization is a participant in the following affiliated organizations:

Organization Name	Percent Ownership
Q and M Properties LLC	50.0%
Avera Community Clinic, Chamberlain	50.0%
Avera Nuclear Medicine Services of Mitchell	50.0%

The Organization's investments are accounted for on the equity method of accounting that approximates the Organization's equity in the underlying net book value of these organizations. The Organization reported a net loss on its investments in affiliated organizations of $173,302 and $137,802 for the years ended June 30, 2011 and 2010, respectively.

Summary balance sheet information, on a combined basis as of June 30, 2011 and 2010, is as follows:

	2011	2010
Cash and cash equivalents	$ 18,248	$ 26,733
Other current assets	225,510	143,514
Land, buildings, and equipment - net	930,752	1,011,781
Total assets	$ 1,174,510	$ 1,182,028
Total current liabilities	$ 648,804	$ 588,286
Net assets/stockholders' equity	525,706	593,742
Total liabilities and net assets/members' equity	$ 1,174,510	$ 1,182,028

Summary income statement information, on a combined basis for the years ended June 30, 2011 and 2010, is as follows:

	2011	2010
Total revenues	$ 731,337	$ 837,212
Total expenses	1,077,941	1,112,816
Net loss	$ (346,604)	$ (275,604)

Note 8 - Leases

The Organization leases certain equipment and buildings under various operating leases with terms of less than one year or cancelable upon written notice. The Organization also has two lease agreements that have been recorded as capital leases. The leased assets have a net book value of $289,525 and $-0- as of June 30, 2011 and 2010. Total lease expense for all operating leases and rental agreements was $769,075 and $746,573, for the years ended June 30, 2011 and 2010.

Minimum future lease payments for the capital and operating leases are as follows:

Year Ending June 30,	Capital Leases	Operating Leases
2012	$ 203,929	$ 503,755
2013	104,738	53,155
2014	-	53,155
2015	-	17,718
Total minimum lease payments	308,667	$ 627,783
Less interest	(11,930)	
Present value of minimum lease payments - Note 9	$ 296,737	

Note 9 - Long-Term Debt

	2011	2010
Avera Health Variable Rate Demand Revenue Bonds Payable, Series 2008A, (0.10% to 0.34% during the fiscal year for a weighted average interest rate of 0.25%, 0.10% to 0.11% at June 30, 2011), due in varying annual installments to July 1, 2038	$ 18,232,117	$ 18,358,204
Avera Health Variable Rate Demand Revenue Bonds Payable, Series 2008C, (0.98% to 3.25% during the fiscal year for a weighted average interest rate of 1.82%, 0.98% at June 30, 2011), interest only until July 1, 2014, then varying annual installments to July 1, 2033	4,030,000	4,030,000
Capital lease obligations - Note 8	296,737	-
	22,558,854	22,388,204
Less current maturities	(628,655)	(126,087)
Long-term debt, less current maturities	$ 21,930,199	$ 22,262,117

Long-term debt maturities are as follows:

Years Ending June 30,	
2012	$ 628,655
2013	555,333
2014	485,765
2015	481,921
2016	102,860
Thereafter	20,304,320
	$ 22,558,854

Substantially all of the Organization's assets at June 30, 2011 and 2010, are pledged as collateral for debt obligations.

Under the terms of the revenue bond loan agreements, the Organization is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements. Assets that are available for obligations classified as current liabilities are reported in current assets. The loan agreement also places limits on the incurrence of additional borrowings and requires that the Organization satisfy certain measures of financial performance as long as the bonds are outstanding.

During the year ended June 30, 2011, the Organization had an interest rate mode change on its Series 2008C bonds which was considered a debt extinguishment under the accounting standards. The Organization recorded a loss on the extinguishment of debt totaling $22,511.

Note 10 - Interest Rate Swap

In accordance with its market-risk policy, the Organization has developed a risk management strategy to maintain acceptable levels of exposure to the risk of changes in future expected variable cash flows resulting from interest rate fluctuation. As part of this strategy, the Organization has entered into the following interest rate swap agreement:

Reference	Maturity Date	Notional Amount	Organization Pays	Organization Receives	Fair Value 2010	Fair Value 2009
Swap A	2028	$ 11,754,592	3.870%	67% of LIBOR	$ (1,845,240)	$ (2,153,259)

The Organization entered into Swap A to effectively convert $11,754,592 of the variable rate Series 2008A bonds to synthetic fixed rate debt at the rate of 3.87%.

Effective July 1, 2009, the Organization elected to discontinue the designation of Swap A as a cash flow hedge. The net unrealized loss on the date of hedge accounting discontinuance of $1,580,439 is being prospectively reclassified into revenues in excess of expenses as future interest payments are made over the remaining term of the swap agreement. For the year ended June 30, 2011 and 2010, a loss of $60,509 was reclassified into revenues in excess of expenses in connection with the hedging discontinuance. The aggregate fair value of the swap agreement was recorded as a long term liability of $1,845,240 and $2,153,259 as of June 30, 2011 and 2010, respectively. The change in fair value of $308,019 and $(572,820) for the years ended June 30, 2011 and 2010, respectively, was recorded to revenues in excess of expenses.

The following table summarizes the derivative transactions reflected in the Organization's balance sheets and statements of operations for the years ended June 30, 2011 and 2010:

	2010	2009
Long-term Liability		
Fair value of interest rate swap agreement	$ (1,845,240)	$ (2,153,259)
Revenues in Excess of Expenses		
Change in fair value of interest rate swap not designated as hedging instruments	308,019	(572,820)
Reclassification of unrealized loss on interest rate swap	(60,509)	(60,509)
Other Changes in Net Assets		
Reclassification of unrealized loss on interest rate swap	60,509	60,509

Note 11 - Commitments

The Organization has entered into an agreement that is considered an exchange transaction resulting in a purchase commitment. A summary of the future payments under the purchase commitment is as follows:

Year Ending June 30,	
2012	$ 15,000
2013	15,000
2014	15,000
2015	15,000
2016	15,000
Thereafter	63,750
	$ 138,750

Note 12 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010:

	2011	2010
Funds restricted for capital purposes and various health care related programs and services	$ 1,748,895	$ 1,412,272

Permanently restricted net assets at June 30, 2011 and 2010, are restricted to:

	2011	2010
Investments to be held in perpetuity, the income from which is expendable to support various health care services	$ 795,318	$ 793,583

Note 13 - Endowment

The Organization's endowments consist of a portion of their interest in the net assets of Avera Health Foundation and their beneficial interest in the Mabee Trust. The Avera Health Foundation includes endowment funds which have been established for a variety of purposes. The endowment fund assets included in the Organization's beneficial interest in the Mabee Trust have been established to purchase equipment and furnishings for the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's permanently restricted endowment funds are donor restricted and totaled $795,318 and $793,583 at June 30, 2011 and 2010, respectively. The Organization's board designated endowment funds totaled $129,538 and $0 at June 30, 2011 and 2010, respectively.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

Changes in endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	$ -	$ -	$ 1,032,880	$ 1,032,880
Change in interest in net assets of Avera Health Foundation	-	-	(239,297)	(239,297)
Endowment net assets, June 30, 2010	-	-	793,583	793,583
Change in interest in net assets of Avera Health Foundation	129,538	-	1,735	131,273
Endowment net assets, June 30, 2011	$ 129,538	$ -	$ 795,318	$ 924,856

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reclassified and reported in unrestricted net assets. These deficiencies typically result from unfavorable market fluctuations that occur. There were no such deficiencies that were deemed material as of June 30, 2011 and 2010.

Return Objectives and Risk Parameters

Through its affiliation with the Avera Health Foundation, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet the price and yield investment returns established by the Avera Pooled Investment Committee while assuming a moderate level of investment risk. The Organization expects its endowment funds with the Avera Health Foundation, over time, to provide an average rate of return of approximately 6%-8% annually. Actual returns in any given year may vary from this amount.

The Mabee Trust is invested in assets that are intended to result in a blended market rate of return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including equity securities, fixed-income securities, hedge funds, and private equity to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Avera Health Foundation Board of Directors determines the annual spending rate and distribution amounts based on a review of the average market value of the endowment funds over the most recent 20 quarters. Local governing boards review the spending rate and distribution information and determine if payouts that would invade the corpus would be fiscally responsible.

The Mabee Trust allows for distributions of income only at the discretion of the trustees.

Note 14 - Self-Insurance Programs

The Organization participates in various self-insured programs administered by Avera Health, including pooled-risk professional liability, pooled-risk workers' compensation, and employee health and dental insurance.

Under the programs, Avera Health has recognized an exposure to possible liability in an amount necessary to reasonably provide for the expected losses of the participants. The amount of the exposure, as determined by independent actuaries in consultation with Avera Health for the workers' compensation and professional liability programs and actuarial templates in the case of health and dental insurance, has been funded by payments into a custodial account to be used for payment of claims and related expenses.

The programs include a combination of self-insurance and commercial insurance. The expenses of the Organization for contributions to the self-insurance portion of the programs were as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Health and dental	$ 5,150,226	$ 4,872,769
Professional liability	321,589	306,275
Workers' compensation	376,548	338,099
	$ 5,848,363	$ 5,517,143

Professional liability and workers' compensation claims have been asserted against the participating facilities and the program by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. Counsel is unable to conclude as to the ultimate outcome of the actions. There are other known incidents occurring through June 30, 2011, that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past.

There are also known health insurance claims that have been submitted subsequent to June 30, 2011, and it is likely there are also other claims that still have not been submitted for services provided prior to June 30, 2011.

While it is possible that the settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the programs have provided, management believes that the excess liability, if any, should not materially affect the financial position of the Organization at June 30, 2011.

Note 15 - Employee Pension Plan

In July 2000, qualified employees under a noncontributory defined benefit pension plan were provided a one-time irrevocable election to continue to participate in the defined benefit pension plan, or alternatively, participate in a new cash balance defined benefit pension plan. Those employees participating in the cash balance pension plan have the option to also participate in an employer match retirement savings program that became effective January 1, 2001. The Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota, sponsor these multiemployer retirement plans.

Defined Benefit Pension Plan (Career Average)

The Organization recorded expenses for the noncontributory defined benefit pension plan for the years ended June 30, 2011 and 2010, in the amounts of $1,297,670 and $1,372,946, respectively.

Defined Benefit Pension Plan (Cash Balance)

All employees whose employment or reemployment began after June 30, 2000, and employees who elected not to remain in the defined benefit pension plan are provided retirement benefits under a new cash balance pension plan and an additional employer match retirement savings plan which became effective January 1, 2001. The Organization recorded expenses for the cash balance pension plan and retirement savings plan for the years ended June 30, 2011 and 2010, in the amounts of $777,602 and $756,340, respectively.

Career Average and Cash Balance Accumulated Plan Benefits

The latest available information on the accumulated plan benefits and plan net assets available for benefits for the entire plan is presented below:

	2011	2010
As of January 1st		
Actuarial present value of accumulated plan benefits		
Vested	$ 289,361,806	$ 255,074,839
Nonvested	3,673,758	2,604,901
Total actuarial present value of accumulated plan benefits	$ 293,035,564	$ 257,679,740
Net assets available for benefits - market value	$ 26,422,859	$ 227,973,129
Net assets available for benefits - cost basis	$ 246,144,113	$ 220,717,623

The Organization had 1,120 participants out of a total of 11,121 participants covered by the pension plans as of January 1, 2011.

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for 2011 and 2010.

Note 16 - Loan Guarantees

As of June 30, 2011, the Organization is jointly and severally obligated for various bond issues under a Master Trust Indenture as follows:

	2011
Avera Health Revenue Refunding Bonds, Series 2002, 5.25% to 5.75%, due annually in increasing amounts through July 1, 2027	$ 47,895,000
Avera Health Variable Rate Demand Revenue Bonds Payable, Series 2008A, (0.10% to 0.34% during the fiscal year for a weighted average interest rate of 0.25%, 0.10% to 0.11% at June 30, 2011) due in varying annual installments to July 1, 2038	119,142,883
Avera Health Demand Revenue Bonds Payable, Series 2008B, 5.25% to 5.50%, interest only until July 1, 2033, then due in varying annual installments to July 1, 2038	50,320,000
Avera Health Variable Rate Demand Revenue Bonds Payable, Series 2008C, (0.98% to 3.25% during the fiscal year for a weighted average interest rate of 1.82%, 0.98% at June 30, 2011), interest only until July 1, 2014, then due in varying annual installments to July 1, 2033	57,465,000
	$ 274,822,883

The Master Trust Indenture agreement also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the bonds are outstanding.

Note 17 - Malpractice Insurance

As discussed in Note 14, the Organization participates in a self-insured professional liability program which provides malpractice insurance coverage for professional liability losses subject to a self-insured retention of $2 million per claim and $6 million annual aggregate. The Organization is also insured under an excess umbrella liability claims-made policy with a limit of $35 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured subject to the self-insured retention only.

Note 18 - Related Party Transactions

Avera Health and its sponsors, the Benedictine and Presentation Sisters, operate various health care related organizations in addition to the Organization. Material transactions between the Organization and these related organizations were as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Payments to related organizations recorded by the Organization		
Capital transfers	$ 129,511	$ 1,540,778
Management and other services	3,318,514	2,333,486
Employee benefit programs	7,225,498	7,002,055
Professional liability and workers' compensation insurance programs	698,137	644,374
Balance sheet items		
Due from related party	132,484	54,861
Accounts payable	705,202	540,555
Insurance premium payable (included in accounts payable)	336,250	306,275
Pension expense payable (included in accrued payroll taxes, withholdings, and other)	254,465	353,989

Note 19 - Concentrations of Credit Risk

The Organization grants credit without collateral to its patients and residents, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors, patients and residents at June 30, 2011 and 2010, was as follows:

	2011	2010
Medicare	38%	38%
Blue Cross	16%	17%
Medicaid	6%	6%
Commercial insurance	19%	14%
Other third-party payors, patients and residents	21%	25%
	100%	100%

The Organization's cash balances are maintained in various bank deposit accounts. At various times during the years ended June 30, 2011 and 2010, the balances of these deposits were in excess of federally-insured limits.

Note 20 - Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2011 and 2010, are as follows:

	2011	2010
Health care services	$ 64,961,958	$ 63,119,832
General and administrative	14,492,303	13,443,666
Fundraising	127,022	121,939
	$ 79,581,283	$ 76,685,437

Note 21 - Business Combinations

During the year ended June 30, 2011, the Organization purchased the operations of an independent diagnostic testing company. Accordingly, the results of operations from the entity have been included in the accompanying financial statements for the period subsequent to the clinic acquisition date.

The aggregate acquisition price included the operations, accounts receivable, supplies, property and equipment, intangible assets, and other assets. The value of the operations, inventory and equipment was determined based on an independent fair market value appraisal and the value of the accounts receivable was determined based on estimated net realizable value. No liabilities were assumed related to the acquisitions.

The total purchase price was allocated to the acquired assets based on estimated fair value as of the respective purchase date during the year ended June 30, 2011 as follows:

	2011
Accounts receivable, net	$ 84,262
Supplies	6,146
Property and equipment	77,488
Other intangible assets	127,104
Other assets	15,000
	$ 310,000

Note 22 - Subsequent Events

The Organization has evaluated subsequent events through September 27, 2011, the date which the financial statements were available to be issued.