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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
REGIONAL HEALTH NETWORK INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) 353 Fairmont Blvd PO Box 6000

Room/suite

City or town, state or country, and ZIP + 4
Rapid City, SD 57701

D Employer identification number
46-0360899

E Telephone number
(605) 719-8106

G Gross receipts $ 84,477,999

F Name and address of principal officer
Charles Hart MD MS
353 Fairmont Blvd
Rapid City, SD 57701

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

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

H(c) Group exemption number ▶

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

J Website: ▶ www regionalhealth com

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

L Year of formation 2005

M State of legal domicile SD

Part I Summary

1 Briefly describe the organization's mission or most significant activities
To provide and support health care excellence in partnership with the communities we serve

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**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	**5**	1,253
6	Total number of volunteers (estimate if necessary)	**6**	241
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	1,645,026
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	133,229	179,284
	9 Program service revenue (Part VIII, line 2g)	86,191,000	84,076,396
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	105,964	135,235
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	44,939	58,161
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	86,475,132	84,449,076
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	0	0
	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)	45,506,816	43,963,341
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)	34,975,786	33,971,752
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	80,482,602	77,935,093
	19 Revenue less expenses Subtract line 18 from line 12	5,992,530	6,513,983

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	66,045,693	49,482,747
	21 Total liabilities (Part X, line 26)	48,757,420	35,120,295
	22 Net assets or fund balances Subtract line 21 from line 20	17,288,273	14,362,452

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 — Date: 2012-05-15

Mark Thompson CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed ▶☐	PTIN
Firm's name ▶ ERNST & YOUNG US LLP				Firm's EIN ▶
Firm's address ▶ 190 CARONDELET PLAZA SUITE 1300 CLAYTON, MO 63105				Phone no ▶ (314) 290-1000

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

To provide and support health care excellence in partnership with the COMMUNITIES WE SERVE

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 $ 4,091,588 including grants of $) (Revenue $ 4,290,304)

Custer Regional Hospital Long Term Care Skilled Nursing

4b (Code) (Expenses $ 3,775,225 including grants of $) (Revenue $ 15,941,545)

Spearfish Regional Hospital Surgical Services

4c (Code) (Expenses $ 2,222,969 including grants of $) (Revenue $ 1,867,992)

Custer Regional Hospital Regional Medical Clinic Primary Care

4d Other program services (Describe in Schedule O)

(Expenses $ 43,963,223 including grants of $) (Revenue $ 61,976,555)

4e **Total program service expenses** ▶ $ 54,053,005

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		No
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		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		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		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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	Yes	
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**		No
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**		No
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	0		
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		
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	1,253		
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	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .		5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		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	13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	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	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," 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 ▶

MARK THOMPSON
353 Fairmont Blvd
Rapid City, SD 57701
(605) 719-8106

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			
See Additional Data Table										

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			
See Additional Data Table										
1b **Sub-Total**										
c **Total from continuation sheets to Part VII, Section A**										
d **Total (add lines 1b and 1c)**								2,545,528	3,476,276	796,432

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 ▶ 31

			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**	Yes	
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
AEGIS THERAPIES INC PO BOX 8103 FORT SMITH, AR 72902	PHYSICAL THERAPY SVC	632,792
GENERAL ELECTRIC MED SYSTEMS PO BOX 414 MILWAUKEE, WI 53201	SERVICE AGREEMENT	361,631
DIAGNOSTIC MEDICAL SYSTEMS HEALTH T 2101 NORTH UNIVERSITY DRIVE FARGO, ND 58102	MEDICAL IMAGING SVC	294,329
OLYMPUS AMERICA INC 3500 CORPORATE PARKWAY CENTER VALLEY, PA 180340610	MED SUPPLIES & EQUIP	162,396
VISTA STAFFING SOLUTIONS INC FILE 50834 1000 W TEMPLE ST LOS ANGELES, CA 900740834	LOCUM TENENS STAFF	146,521

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					
	e Government grants (contributions) 1e	64,274				
	f All other contributions, gifts, grants, and similar amounts not included above 1f	115,010				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f . . . . . ▶		179,284			
Program Service Revenue		Business Code				
	2a ACUTE CARE HOSPITAL IN AND OUT PATIENTS	623000	54,659,000	54,659,000		
	b LONG TERM CARE FACILITIES	623000	15,348,000	15,348,000		
	c ASSISTED LIVING FACILITIES	623000	2,160,000	2,160,000		
	d HOME CARE SERVICES	621610	1,791,000	1,791,000		
	e PHYSICIAN CLINICS	621110	2,399,000	2,399,000		
	f All other program service revenue		7,719,396	6,074,370	1,645,026	
	g **Total.** Add lines 2a–2f . . . . . ▶		84,076,396			
	3 Investment income (including dividends, interest and other similar amounts) . . . . . ▶		135,235			135,235
	4 Income from investment of tax-exempt bond proceeds . . ▶		0			
	5 Royalties . . . . . ▶		0			
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss) . . . . . ▶					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss) . . . . . ▶		0			
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 . . . a	87,084				
	b Less direct expenses . . . b	28,923				
	c Net income or (loss) from fundraising events . . ▶		58,161			58,161
	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 . . . ▶		0			
	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 . . ▶		0			
	Miscellaneous Revenue	Business Code				
	11a _____					
	b _____					
	c _____					
	d All other revenue					
	e **Total.** Add lines 11a–11d . . . . . ▶		0			
	12 **Total revenue.** See Instructions . . . ▶		84,449,076	82,431,370	1,645,026	193,396

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	0			
2 Grants and other assistance to individuals in the U S See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	1,033,437		1,033,437	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0			
7 Other salaries and wages	34,345,891	28,772,052	5,573,839	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	870,437		870,437	
9 Other employee benefits	5,308,209	3,750,836	1,557,373	
10 Payroll taxes	2,405,367	1,915,065	490,302	
a Fees for services (non-employees) Management	0			
b Legal	30,192		30,192	
c Accounting	0			
d Lobbying	11,409	11,409		
e Professional fundraising services *See Part IV, line 17*	0			
f Investment management fees	0			
g Other	2,728,033	2,125,773	602,260	
12 Advertising and promotion	85,249	37,340	47,909	
13 Office expenses	299,164	183,437	115,727	
14 Information technology	167,007	58,959	108,048	
15 Royalties	0			
16 Occupancy	1,992,345	819,300	1,173,045	
17 Travel	200,565	150,683	49,882	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	168,676	119,647	49,029	
20 Interest	74,077	41	74,036	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	3,816,799	2,101,060	1,715,739	
23 Insurance	260,315		260,315	
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 Medical Supplies	5,973,703	5,982,046	-8,343	
b INTERCOMPANY SUPPLIES & SERV	9,784,895	1,560,985	8,223,910	
c OTHER DEPARTMENT SUPPLIES	945,776	945,776		
d Bad Debts	3,549,959	3,549,959		
e MAINTENANCE EQUIPMENT	942,483	942,483		
f All other expenses	2,941,105	1,026,154	1,914,951	
25 **Total functional expenses.** Add lines 1 through 24f	77,935,093	54,053,005	23,882,088	0
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		1,680,027	1	811,909
	2	Savings and temporary cash investments			2	
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		10,966,489	4	9,322,696
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	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			7	
	8	Inventories for sale or use		1,084,032	8	1,222,731
	9	Prepaid expenses and deferred charges		366,671	9	445,456
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 77,706,161			
	b	Less accumulated depreciation	10b 41,124,992	41,682,846	10c	36,581,169
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11		0	13	123,020
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		10,265,628	15	975,766
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		66,045,693	16	49,482,747
Liabilities	17	Accounts payable and accrued expenses		7,195,110	17	4,920,267
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	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		41,562,310	25	30,200,028
	26	**Total liabilities.** Add lines 17 through 25		48,757,420	26	35,120,295
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		16,360,033	27	13,403,231
	28	Temporarily restricted net assets		828,240	28	859,221
	29	Permanently restricted net assets		100,000	29	100,000
		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		17,288,273	33	14,362,452
	34	Total liabilities and net assets/fund balances		66,045,693	34	49,482,747

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	84,449,076
2	Total expenses (must equal Part IX, column (A), line 25)	2	77,935,093
3	Revenue less expenses Subtract line 2 from line 1	3	6,513,983
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	17,288,273
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-9,439,804
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	14,362,452

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
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

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).

Additional Data

Software ID:
Software Version:
EIN: 46-0360899
Name: REGIONAL HEALTH NETWORK INC

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
HART MDCHARLES E PRESIDENT AND CEO	60 0	X		X				0	806,131	48,163
BILLS LAVERN VICE CHAIRMAN, BOARD OF DIR	1 13	X		X				0	614	
CAPPA PETER TREASURER, BOARD OF DIRECTORS	31	X		X				0	0	0
DAHLSTROM JON BOARD OF DIRECTORS MEMBER	79	X						0	0	
ESTES DOYLE BOARD OF DIRECTORS MEMBER	1 04	X						0	0	
GOLLIHER MD WARREN PHYSICIAN AND BOARD OF DIR	1 21	X						20,730	0	377
GRABER MD TERRY PHYSICIAN, SECR , BD OF DIR	1 15	X		X				397,218	0	47,843
GROEGER MD THOMAS PHYSICIAN AND BOARD OF DIR	1 52	X						225,157	0	54,616
JOHNSON MD JORGE PHYSICIAN AND BOARD OF DIR	1 5	X						0	0	
LAMPHERE ROSS BOARD OF DIRECTORS MEMBER	1 02	X						0	0	
LARSON JUDITH CHAIRMAN, BOARD OF DIRECTORS	2 1	X		X				0	0	
SABERS KEN BOARD OF DIRECTORS MEMBER	92	X						0	0	
SUGHRUETIMOTHY H COO RH, CEO RCRH & RHN, BD DIR	55 0	X		X				0	651,519	40,736
SLUKA JRJOSEPH C EXECUTIVE VP, CAO	55 0			X				0	360,592	44,950
THOMPSONMARK A VP OF FINANCE, CFO	55 0			X				0	271,703	47,996
MCGLONEROBERT O VP OF HUMAN RESOURCES	55 0				X			0	287,581	46,642
MASTENMARY E VP OF LEGAL SERVICES	55 0				X			0	282,042	56,575
LATUCHIERICHARD S VP OF INFO TECHNOLOGY, CIO	55 0				X			0	266,196	58,674
DEGROOTSHAWN Y VP OF CORPORATE RESPONSIBILITY	55 0				X			0	218,654	31,194
HORTONJENNIFER D VP PUB RELATIONS & MARKETING	55 0				X			0	174,442	36,230
BRODINMARK F VP OF DECISION SUPPORT	55 0				X			0	156,802	33,549
BRYANTGLENN E COO OF RHN OUTREACH	55 0				X			243,972	0	29,373
VEITZLARRY W CEO OF SPEARFISH REGIONAL HOSP	55 0				X			220,850	0	52,251
HYDEVAN CEO OF STURGIS REGIONAL HOSP	55 0				X			160,000	0	16,094
LIEDTKE DOCURTIS J PHYSICIAN	40 0					X		286,317	0	31,454

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(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			
BAILEY MDLEE B PHYSICIAN	40 0					X		278,485	0	42,543
SHORESSTEVEN CRAIG NURSE ANESTHETIST	40 0					X		200,188	0	14,507
HESTONWILLIAM K NURSE ANESTHETIST	40 0					X		196,436	0	16,773
REIDTHOMAS NURSE ANESTHETIST	40 0					X		190,404	0	19,032
PETIKJASON P CEO CUSTER REGIONAL HOSPITAL	55 0						X	125,771	0	26,860

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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
REGIONAL HEALTH NETWORK INC	46-0360899

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?		No	
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	Yes		11,409
j	Total lines 1c through 1i			11,409
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
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
LOBBYING PORTION OF MEMBERSHIP DUES	SCHEDULE C, PART II-B, LINE 1I	Annual dues are paid to the South Dakota Association of Healthcare Organizations and the American Hospital Association A portion of these dues are applicable to lobbying activities For fiscal year 2011, dues of $74,144 90 were paid to the South Dakota Association of Healthcare Organizations, 4 68% of which, ($3,470) were used for lobbying purposes, and dues of $32,509 00 were paid to the American Hospital Association, 24 42% of which, ($7,939) were used for lobbying purposes

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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
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

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	100,000	100,000	100,000		
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	100,000	100,000	100,000		

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 100 000 %
- 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)		No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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		8,868,079		8,868,079
b Buildings		39,325,899	18,416,371	20,909,528
c Leasehold improvements				
d Equipment		27,857,421	21,386,774	6,470,647
e Other		1,654,762	1,321,847	332,915
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				36,581,169

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

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

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) 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	0
Due to related parties-investment	30,200,028
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	30,200,028

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	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
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			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

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

1	Total expenses and losses per audited financial statements			1	
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	
3	Subtract line **2e** from line **1**			3	
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	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

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
Endowment Funds	SCHEDULE D, PART V, LINE 4	Endowed funds are held in an interest bearing account Use of the funds is subject to the terms of the contributor
FOOTNOTE TO FINANCIAL STATEMENTS FOR UNCERTAIN TAX POSITIONS UNDER ASC 740	SCHEDULE D, PART X, LINE 2	Regional Health 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 Regional Health 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 Regional Health's federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2008

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☐ Mail solicitations
- **b** ☐ Internet and e-mail solicitations
- **c** ☐ Phone solicitations
- **d** ☐ In-person solicitations
- **e** ☐ Solicitation of non-government grants
- **f** ☐ Solicitation of government grants
- **g** ☐ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization Form 990-EZ filers are not required to complete this table

(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
Total . . . . . ▶						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than $5,000.

		(a) Event #1 Hospice Ball (event type)	(b) Event #2 Golf Tourn. (event type)	(c) Other Events 1 (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	44,411	23,391	19,282	87,084
	2 Less Charitable contributions				
	3 Gross income (line 1 minus line 2)	44,411	23,391	19,282	87,084
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes				
	6 Rent/facility costs	11,231	9,272		20,503
	7 Food and beverages				
	8 Entertainment	2,792	1,551		4,343
	9 Other direct expenses	55		4,022	4,077
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				28,923
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				58,161

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	☐ Yes ____% ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	**13a**	
b An outside facility	**13b**	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation

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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
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

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		No
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		No
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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
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)			2,209,737	0	2,209,737	2 970 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			10,705,526	0	10,705,526	14 390 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d **Total** Financial Assistance and Means-Tested Government Programs			12,915,263	0	12,915,263	17 360 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	29	3,040	51,548	8,390	43,158	0 060 %
f Health professions education (from Worksheet 5)	7	58	70,168	0	70,168	0 090 %
g Subsidized health services (from Worksheet 6)			10,374,159	10,128,555	245,604	0 330 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)	6	257	1,790	0	1,790	0 %
j **Total** Other Benefits	42	3,355	10,497,665	10,136,945	360,720	0 480 %
k **Total.** Add lines 7d and 7j	42	3,355	23,412,928	10,136,945	13,275,983	17 840 %

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	1	84	1,316	0	1,316	0 %
2	Economic development	3	0	1,619	0	1,619	0 %
3	Community support	8	667	4,320	0	4,320	0 010 %
4	Environmental improvements		0	0	0	0	0 %
5	Leadership development and training for community members		0	0	0	0	0 %
6	Coalition building	4	0	3,238	0	3,238	0 %
7	Community health improvement advocacy	4	166	20,471	0	20,471	0 030 %
8	Workforce development	1	7	70	0	70	0 %
9	Other		0	0	0	0	0 %
10	**Total**	21	924	31,034	0	31,034	0 040 %

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 Healthcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense (at cost)	2	1,789,179		
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	0		
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	19,721,514
6	Enter Medicare allowable costs of care relating to payments on line 5	6	20,084,331
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-362,817
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? 4

	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	Custer Regional Hospital 1039 Montgomery Street Custer, SD 57730	X	X			X		X		
2	Lead-Deadwood Regional Hospital 61 charles Street Deadwood, SD 57732	X	X			X		X		
3	Spearfish Regional Hospital 1440 N Main Street Spearfish, SD 57783	X	X					X		
4	Sturgis Regional Hospital 949 Harmon Street Sturgis, SD 57785	X	X			X		X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Custer Regional Hospital

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Lead-Deadwood Regional Hospital

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 2

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Spearfish Regional Hospital

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 3

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Name of Hospital Facility: Sturgis Regional Hospital

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 4

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care __%			

Part V Facility Information *(continued)*

		Yes	No
10 Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
If "Yes," indicate the FPG family income limit for eligibility for discounted care __%			
11 Explained the basis for calculating amounts charged to patients?	11		
If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a ☐ Income level			
b ☐ Asset level			
c ☐ Medical indigency			
d ☐ Insurance status			
e ☐ Uninsured discount			
f ☐ Medicaid/Medicare			
g ☐ State regulation			
h ☐ Other (describe in Part VI)			
12 Explained the method for applying for financial assistance?	12		
13 Included measures to publicize the policy within the community served by the hospital facility?	13		
If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a ☐ The policy was posted at all times on the hospital facility's web site			
b ☐ The policy was attached to all billing invoices			
c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d ☐ The policy was posted in the hospital facility's admissions offices			
e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
f ☐ The policy was available upon request			
g ☐ Other (describe in Part VI)			

Billing and Collections

14 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15 Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
16 Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year?	16		
If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a ☐ Reporting to credit agency			
b ☐ Lawsuits			
c ☐ Liens on residences			
d ☐ Body attachments			
e ☐ Other (describe in Part VI)			
17 Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)			
a ☐ Notified patients of the financial assistance policy upon admission			
b ☐ Notified patients of the financial assistance policy prior to discharge			
c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d ☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	**18**		
If "No," indicate the reasons why (check all that apply)			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility did not have a policy relating to emergency medical care			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

Charges for Medical Care

19 Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a ☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b ☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c ☐ The hospital facility used the Medicare rate for those services			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**		
If "Yes," explain in Part VI			
21 Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient?	**21**		
If "Yes," explain in Part VI			

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? _____

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

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the 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
SUPPLEMENTAL SCHEDULE H INFORMATION		REFERENCES TO "REGIONAL HEALTH" APPLY TO ALL ENTITIES CONTROLLED OR LEASED BY REGIONAL HEALTH, INC THIS INCLUDES THE REPORTING ENTITY

Identifier	ReturnReference	Explanation
PART I, LINE 3C		Regional Health uses low income housing guideline from Housing and Urban Development for determining financial assistance eligibility The income guidelines, along with the number of dependents within the household are used in a matrix to determine the percent discount applied to the outstanding balance Discounts range from 100% to 10% of the balance The financial assistance policy (i e charity policy) also has a catastrophic provision which limits a patient/guarantor's exposure to the lesser of the Financial Assistance reductions or 20% of the family's annual gross income

Identifier	ReturnReference	Explanation
PART I, LINE 6A		A community needs assessment is completed by Regional Health, the parent organization, for all related organizations and made available to the public on its website

Identifier	ReturnReference	Explanation
PART I, LINE 7		Medicare cost report cost to charge ratio is used for calculation of cost of services provided The amount of bad debt expense subtracted from the denominator before calculating the percentages in column (f) is $3,549,959

Identifier	ReturnReference	Explanation
PART II		Regional Health provides numerous community benefit health events and screenings throughout the Black Hills Region Regional Health also provides financial support to other nonprofit organizations to help support community health outreach Additionally, Regional Health provides in-kind support and employee volunteers to help support community health events and activities

Identifier	ReturnReference	Explanation
PART III, LINE 4		The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category The results of this review are then used to make any modifications to the allowance for doubtful accounts After satisfaction of amounts due from insurance and other third-party payors, Regional Health follows established guidelines for placing certain past-due patient balances with collection agencies

Identifier	ReturnReference	Explanation
PART III, LINE 8		The Medicare shortfall is derived from the actual payments received from the Medicare program for services provided to patients with Medicare coverage The payments are compared to the actual cost of providing the service as arrived at through the Medicare cost report The result is a shortfall with costs exceeding the reimbursement

Identifier	ReturnReference	Explanation
PART III, LINE 9B		The collection policy requires invoking of the financial assistance policy any time a patient expressed financial difficulty in meeting their debt obligation

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT		Regional Health, worked in partnership with several community not-for-profit organizations to conduct a full Community Needs Assessment (CNA) for the Black Hills region for FY2012 This CNA was the first phase of our data collection and was completed in April 2011 The next phase of the process consisted of meetings, interviews and surveys with people representing the broad interest of the community, including physicians, community health leaders and organizational leadership In addition to this the organization evaluated quantitative data on health issues for the region from various state, national and internal sources This phase of our project was completed in September 2011 The organization evaluated all the information gathered in the CNA and through our own research developed our community health targets and is now in the process of developing our implementation plan More than 30,000 surveys were mailed to the people in the Black Hills Region during the winter of 2010/2011

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE		We provide information on all statements, on our website, we have information available at all admission areas, we contract with Midland Medical Group (an unrelated entity) to meet with all uninsured patients to assist them with finding a funding source or applying for financial assistance, and our self pay outsource partner also communicates any funding and financial assistance opportunities with our patients

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION		Regional Health serves the people of the Black Hills region The area is mostly rural in nature with only one city of over 50,000 people Regional Health is the primary medical services provider for the region

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH		Regional Health provides numerous community health education events and screenings throughout the Black Hills region Regional Health also provides financial support to other not-for-profit organizations to help support community health outreach Additionally, Regional Health provides in-kind support and employee volunteers to help support community health events and activities

Identifier	ReturnReference	Explanation
OTHER INFORMATION		Regional Health is governed by a community board that provides leadership to the organization to meet the community needs Regional Health partners with educational institutions to provide numerous clinical training programs, provides medical services that if were not provided by us would not exist in our Region, and offers health screenings and events to the people of the Region

Identifier	ReturnReference	Explanation
AFFILIATED HEALTH CARE SYSTEM		Regional Health is committed to partnering with communities it serves to meet the needs of each respective community Regional Health, Inc is the parent organization of Rapid City Regional Hospital, Inc , Regional Health Network, Inc and Regional Health Physicians, Inc These corporations work together to meet the health care needs of the Region

Identifier	ReturnReference	Explanation
STATE FILING OF COMMUNITY NEEDS ASSESSMENT		Regional Health community needs assessment is available on its website to all who are interested All the facilities owned or controlled by Regional Health are located in South Dakota

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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
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

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**	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	**4c**		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	**5a**		No
b	Any related organization?	**5b**		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	**6a**		No
b	Any related organization?	**6b**		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	**7**		No
8	Were any amounts reported in Form 990, Part VII, paid or accured pursuant to a contract that was subject to the initial contract exception described in 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				
See Additional Data Table							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(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 COMPENSATION INFORMATION	PART I, LINE 3	The Audit and Compliance Committee, which is a committee of the Regional Health (Parent) Board, reviews and approves base salary and total compensation ranges for all executives with the Regional Health System Please see Form 990, Part VI, Line 15b disclosure on Schedule O
SUPPLEMENTAL COMPENSATION INFORMATION	Schedule J, Part I, Line 4b	Regional Health provides a supplemental nonqualified retirement plan and a flexible benefit plan that can include deferred compensation for its executives See column 'C' on schedule J for those persons listed in form 990, Part VII, line 1a that participated in or received payment from these two plans

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0360899
Name: REGIONAL HEALTH NETWORK INC

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
HART MDCHARLES E	(I)	0	0	0	0	0	0	
	(II)	661,553	144,578	0	42,904	5,259	854,294	
GRABER MD TERRY	(I)	397,218	0	0	44,076	3,767	445,061	
	(II)	0	0	0	0	0	0	
GROEGER MD THOMAS	(I)	225,157	0	0	45,523	9,093	279,773	
	(II)	0	0	0	0	0	0	
SUGHRUETIMOTHY H	(I)	0	0	0	0	0	0	
	(II)	523,327	128,192	0	33,605	7,131	692,255	
SLUKA JRJOSEPH C	(I)	0	0	0	0	0	0	
	(II)	303,566	57,026	0	39,375	5,575	405,542	
MCGLONEROBERT O	(I)	0	0	0	0	0	0	
	(II)	247,831	39,750	0	42,135	4,507	334,223	
MASTENMARY E	(I)	0	0	0	0	0	0	
	(II)	240,385	41,657	0	51,487	5,088	338,617	
THOMPSONMARK A	(I)	0	0	0	0	0	0	
	(II)	231,849	39,854	0	42,667	5,329	319,699	
LATUCHIERICHARD S	(I)	0	0	0	0	0	0	
	(II)	226,634	39,562	0	54,044	4,630	324,870	
DEGROOTSHAWN Y	(I)	0	0	0	0	0	0	
	(II)	186,706	31,948	0	26,983	4,211	249,848	
HORTONJENNIFER D	(I)	0	0	0	0	0	0	
	(II)	147,776	26,666	0	26,663	9,567	210,672	
BRODINMARK F	(I)	0	0	0	0	0	0	
	(II)	133,039	23,763	0	28,944	4,605	190,351	
BRYANTGLENN E	(I)	212,944	31,028	0	24,237	5,136	273,345	
	(II)	0	0	0	0	0	0	
VEITZLARRY W	(I)	191,828	29,022	0	48,430	3,821	273,101	
	(II)	0	0	0	0	0	0	
HYDEVAN	(I)	138,615	21,385	0	10,863	5,231	176,094	
	(II)	0	0	0	0	0	0	
LIEDTKE DOCURTIS J	(I)	261,317	25,000	0	28,159	3,295	317,771	
	(II)	0	0	0	0	0	0	
BAILEY MDLEE B	(I)	253,485	25,000	0	36,376	6,167	321,028	1,003
	(II)	0	0	0	0	0	0	
SHORESSTEVEN CRAIG	(I)	199,688	500	0	13,122	1,385	214,695	
	(II)	0	0	0	0	0	0	
HESTONWILLIAM K	(I)	195,936	500	0	12,680	4,093	213,209	
	(II)	0	0	0	0	0	0	
REIDTHOMAS	(I)	190,154	250	0	12,332	6,700	209,436	
	(II)	0	0	0	0	0	0	
PETIKJASON P	(I)	107,462	18,309	0	20,217	6,643	152,631	
	(II)	0	0	0	0	0	0	

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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
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

Identifier	Return Reference	Explanation
OTHER PROGRAM SERVICES	FORM 990, PART III, LINE 4D	THE REGIONAL HEALTH NETWORK, INC IS A NETWORK OF SMALL HOSPITALS, NURSING HOMES AND ASSISTED LIVING FACILITIES IN WESTERN SOUTH DAKOTA THESE HOSPITALS AND LONG TERM CARE FACILITIES ARE LOCATED IN SMALL RURAL TOWNS AND PROVIDE A VERY NECESSARY RURAL HEALTHCARE SAFETY NET PART IV, LINE 24E BOND ISSUES ALL RELATED CORPORATIONS ARE EQUALLY LIABLE FOR THE REPAYMENT OF THE BONDS REPORTED ON THE RAPID CITY REGIONAL HOSPITAL FORM 990

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	Form 990, Part VI, Question 6, 7a and 7b	REGIONAL HEALTH, INC IS THE SOLE MEMBER OF REGIONAL HEALTH NETWORK, INC REGIONAL HEALTH, INC HAS AUTHORITY OVER CERTAIN DECISIONS PERTAINING TO REGIONAL HEALTH NETWORK, INC

Identifier	Return Reference	Explanation
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI QUESTION 11B	THE 990 IS PREPARED AND REVIEWED BY AN INDEPENDENT ACCOUNTING FIRM IT IS THEN REVIEWED INTERNALLY BY FINANCE AND LEGAL MANAGEMENT THE FORM 990 IS FURTHER REVIEWED, PRIOR TO FILING, BY THE ORGANIZATION'S BOARD OF DIRECTORS THROUGH A PORTAL TO THE ORGANIZATION'S INTERNAL INFORMATION SYSTEM, TO WHICH EACH BOARD MEMBER HAS ACCESS EDUCATIONAL SESSIONS HAVE BEEN PROVIDED TO EACH BOARD MEMBER ON HOW TO ACCESS THE PORTAL

Identifier	Return Reference	Explanation
Description of Process to Monitor Transactions for Conflicts of Interest	Form 990, Part VI, Question 12c	AS A PART OF THE ANNUAL DISCLOSURE OF POTENTIAL CONFLICTS PROCESS, ALL BOARD MEMBERS, OFFICERS, AND OTHER MANAGEMENT PERSONNEL RECEIVE A COPY OF THE CONFLICT OF INTEREST POLICY AND SIGN AN ACKNOWLEDGEMENT THAT THEY HAVE READ AND UNDERSTAND IT ADDITIONALLY, THEY ARE EACH REQUIRED TO COMPLETE A DISCLOSURE STATEMENT ANNUALLY, A SUMMARY LIST OF ALL CONFLICTS DISCLOSED BY BOARD MEMBERS IS PREPARED AND PROVIDED TO THE FULL BOARD SO BOARD MEMBERS ARE AWARE OF THE CONFLICTS / INTERESTS OF OTHER BOARD MEMBERS AND ARE ABLE TO POINT OUT CONFLICTS IF AN INDIVIDUAL MEMBER WITH A CONFLICT FORGETS ADDITIONALLY, THE AGENDA FOR EACH BOARD MEETING AND EACH BOARD COMMITTEE MEETING INCLUDES AN INITIAL AGENDA ITEM "CONFLICTS OF INTEREST" WHERE BOARD MEMBERS ARE ASKED IF THEY HAVE ANY CONFLICTS RELATED TO THE OTHER ITEMS ON THE AGENDA ALL EMPLOYEES ARE COVERED BY THE CONFLICT OF INTEREST POLICY BUT COMPLETION OF THE ANNUAL DISCLOSURE STATEMENT IS LIMITED TO BOARD AND BOARD COMMITTEE MEMBERS, MANAGEMENT, CERTAIN PHYSICIANS, AND CERTAIN NON-MANAGEMENT EMPLOYEES INVOLVED IN PURCHASING WHERE A PROPOSED TRANSACTION INVOLVES A BOARD MEMBER, THE TRANSACTION IS REVIEWED BY THE COMPLIANCE AND AUDIT COMMITTEE OF THE SOLE MEMBER BOARD MEMBERS WHO HAVE A CONFLICT OF INTEREST MAY BE INVITED TO SPEAK ON THE MATTER BY THE CHAIRMAN, BUT ARE NOT PERMITTED TO VOTE ON THE MATTER AND ARE REQUIRED TO LEAVE THE MEETING DURING DISCUSSION, AFTER THEY HAVE MADE ANY COMMENTS INVITED BY THE CHAIR

Identifier	Return Reference	Explanation
Offices & Positions for Which Process was Used, & Year Process was Begun	Form 990, Part VI, Question 15A & 15b	THE COMPLIANCE AND AUDIT COMMITTEE OF THE SOLE MEMBER'S BOARD, A COMMITTEE THAT INCLUDES ONLY BOARD MEMBERS DEEMED "INDEPENDENT", DETERMINES THE APPROPRIATE BASE SALARY RANGE OF THE CEO OF THE ORGANIZATION AND ITS OTHER EXECUTIVE STAFF THE CEO OF THE MEMBER OR HIS DESIGNEE THEN DETERMINES THE ACTUAL BASE SALARY OF THE OTHER EXECUTIVES WITHIN THE COMMITTEE-APPROVED RANGES BASED ON A PERFORMANCE EVALUATION CONDUCTED BY THE CEO OR DESIGNEE. FOR DETERMINATION OF THE BASE SALARY RANGES, AS WELL AS INCENTIVE COMPENSATION, BENEFIT PLANS AND PERQUISITES (TOTAL COMPENSATION), THE COMPLIANCE AND AUDIT COMMITTEE RETAINS AN INDEPENDENT CONSULTANT, SULLIVAN AND COTTER, TO PROVIDE SURVEY / COMPARABILITY DATA FOR BOTH BASE SALARY AND TOTAL COMPENSATION AT LEAST EVERY THREE YEARS

Identifier	Return Reference	Explanation
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	FORM 990, PART VI, QUESTION 19	THE ARTICLES OF INCORPORATION OF THE ORGANIZATION ARE FILED IN THE OFFICE OF THE SECRETARY OF STATE OF SOUTH DAKOTA AND ARE AVAILABLE TO THE PUBLIC OTHER DOCUMENTS (BYLAWS, CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS) ARE NOT POSTED FOR THE PUBLIC BUT ARE AVAILABLE OR DESCRIBED IN OTHER PUBLIC DOCUMENTS SUCH AS OFFERING STATEMENTS IN BOND ISSUES OR MUNICIPAL SECURITIES RULEMAKING BOARD'S ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) DATA PORT

Identifier	Return Reference	Explanation
COMPENSATION OF OFFICERS DIRECTORS TRUSTEES	FORM 990, PART VII	THE HOURS DEVOTED TO THE POSITIONS REPORTED ON THE ATTACHMENT TO PART VII AND SCHEDULE J FOR THE FOLLOWING REFLECT THE AGGREGATE TOTAL HOURS THESE INDIVIDUALS DEVOTE TO THEIR POSITIONS FOR RAPID CITY REGIONAL HOSPITAL, INC , REGIONAL HEALTH, INC , REGIONAL HEALTH PHYSICIANS, INC AND/OR REGIONAL HEALTH NETWORK, INC CHARLES E HART, MD LAVERN BILLS PETER CAPPA JON DAHLSTROM DOYLE ESTES WARREN GOLLIHER, MD TERRY GRABER, MD THOMAS GROEGER, MD JORGE JOHNSON, MD ROSS LAMPHERE JUDITH LARSON KEN SABERS TIMOTHY SUGHRUE JOSEPH SLUKA MARK THOMPSON INDEPENDENT BOARD MEMBERS FORM 990, PART VII REGIONAL HEALTH CONSIDERS SOME MEMBERS OF THE BOARD TO NOT BE INDEPENDENT BECAUSE THEY ARE ACTIVELY PRACTICING PHYSICIANS ON ONE OF ITS HOSPITALS' MEDICAL STAFFS

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRI $(9,383,860) OTHER CHANGES IN UNRESTRICTED NET ASSETS $ (55,944) ---------- LINE 5 TOTAL $(9,439,804)

Identifier	Return Reference	Explanation
OVERSIGHT OR SELECTION PROCESS	FORM 990, PART XII, QUESTION 2C	INDEPENDENT AUDITORS ARE ENGAGED BY THE COMPLIANCE AND AUDIT COMMITTEE OF THE REGIONAL HEALTH, INC BOARD OF TRUSTEES FINAL AUDIT RESULTS, ON A CONSOLIDATED BASIS, ARE REPORTED BY THE INDEPENDENT AUDITORS DIRECTLY TO THE COMPLIANCE AND AUDIT COMMITTEE.

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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
REGIONAL HEALTH NETWORK INC

Employer identification number
46-0360899

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
(1) Regional Health Inc 353 Fairmont Blvd Rapid City, SD 57701 20-1487506	Healthcare	SD	501 (c)(3)	11-Type III	NA		
(2) Rapid City Regional Hospital Inc 46-0319070	HEALTHCARE	SD	501(c)(3)	3	NA		
(3) Regional Health Physicians Inc 46-0372454	Healthcare	SD	501(c)(3)	3	NA		

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
(1) Black Hills Med Bldg 353 Fairmont Blvd Rapid City Rapid City, SD57701 41-1992146	MED OFFICE BLDG	SD		N/A								
(2) Med Dental Bldg 2805 S 5th St Rapid City SD Rapid City, SD57701 46-0339629	MED OFFICE BLDG	SD		N/A								
(3) Imaging Center LLC PO Box 8130 Rapid City SD Rapid City, SD57701 30-0357026	Healthcare	SD		N/A								
(4) The MRI Center LLC PO Box 8130 Rapid City SD Rapid City, SD57709 30-0357077	Medical Imaging	SD		N/A								
(5) Same Day Surgery Ctr 651 Cathedral Dr Rapid City Rapid City, SD57701 41-1889892	HEALTHCARE	SD		N/A								
(6) N PLAINS PREMIER COL 900701417 3900 W AVERA Dr SIOUX FALLS SD SIOUX FALLS, SD57108	COLLAB PURCH NEG	SD		n/a								

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) Western Providers Inc 677 Cathedral Dr Ste 309 Rapid City, SD57701 41-1889163	Medical Service	SD	NA	C Corp			

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		No
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	Yes	
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	Yes	
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		No
r	Other transfer of cash or property from other organization(s)	1r		No

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Regional Health Physicians Inc	i	443,439	
(2) Rapid City Regional Hospital Inc	n	42,005,165	
(3) Rapid City Regional Hospital Inc	o	21,073,302	
(4) Rapid City Regional Hospital Inc	l	6,514,712	
(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

Consolidated Financial Statements
June 30, 2011 and 2010

Regional Health, Inc.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Regional Health, Inc
Rapid City, South Dakota

We have audited the accompanying consolidated statement of financial position of Regional Health, Inc (Regional Health) as of June 30, 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended These consolidated financial statements are the responsibility of Regional Health's management Our responsibility is to express an opinion on these consolidated financial statements based on our audit The consolidated financial statements of Regional Health, as of June 30, 2010, were audited by other auditors whose report dated October 5, 2010, expressed an unqualified opinion on those statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 Regional Health'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 consolidated 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 audit provides a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Regional Health, Inc as of June 30, 2011, and the consolidated results of their operations, changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

As discussed in Note 2, Regional Health adopted guidance effective July 1, 2010 requiring the discontinuance of amortization of goodwill and the performance of a transitional test for goodwill impairment and, as a result, recorded an impairment of $9,438 as a reduction in unrestricted net assets

Eide Bailly LLP

Minneapolis, Minnesota
October 13, 2011

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 21,872	$ 39,616
Receivables		
Patient accounts	82,182	84,660
Allowance for doubtful accounts	(17,705)	(19,637)
	64,477	65,023
Other receivables	2,083	2,024
Investments limited as to use	21,089	6,688
Inventory	8,812	7,471
Prepaid expenses	6,367	7,836
Total current assets	124,700	128,658
Investments Limited as to Use, Less Current Portion	421,417	312,284
Property and Equipment		
Land and improvements	20,660	21,151
Buildings and fixed equipment	218,766	220,247
Leased buildings	3,629	3,629
Movable equipment	225,380	204,702
	468,435	449,729
Less accumulated depreciation and amortization	(312,603)	(290,978)
	155,832	158,751
Construction-in-process	5,085	2,268
Total property and equipment	160,917	161,019
Goodwill and Intangibles, Net	2,326	11,207
Bond Issue Costs, Net	2,097	1,700
Other Long-Term Assets	3,931	3,446
	$ 715,388	$ 618,314

See Notes to Consolidated Financial Statements

Regional Health, Inc.
Consolidated Statements of Financial Position
June 30, 2011 and 2010
(Amounts in Thousands)

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 10,685	$ 6,255
Accounts payable	6,171	11,772
Estimated payables to third-party payors	3,743	6,059
Accrued expenses		
Interest	1,646	1,378
Salaries and wages	12,545	12,842
Compensated absences	12,252	11,408
Employee health insurance liability	4,320	4,070
Other	5,091	6,383
Total current liabilities	56,453	60,167
Other Liabilities		
Payable under interest rate swap	8,717	10,157
Other long-term liabilities	14,667	13,851
Accrued pension liability	11,016	12,809
Long-term debt, less current maturities	149,231	134,919
Total liabilities	240,084	231,903
Net Assets		
Unrestricted	462,656	375,368
Temporarily restricted	10,800	9,195
Permanently restricted	1,848	1,848
Total net assets	475,304	386,411
	$ 715,388	$ 618,314

Regional Health, Inc.

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2011 and 2010
(Amounts in Thousands)

	2011	2010
Operating revenue		
Net patient service revenue	$ 491,751	$ 466,282
Other	30,212	25,531
Total operating revenue	521,963	491,813
Operating expenses		
Salaries and wages	226,685	210,529
Payroll taxes and benefits	38,235	35,582
Outside services	47,498	43,595
Medical supplies	68,095	63,878
Provision for uncollectible accounts	27,272	27,518
Other supplies and expenses	40,301	35,470
Depreciation and amortization	25,697	25,676
Interest	4,610	3,849
Total operating expenses	478,393	446,097
Operating income	43,570	45,716
Nonoperating gains (losses)		
Investment gain	47,217	24,956
Gain on sale of facilities	3,683	-
Loss on interest rate swap	(731)	(4,815)
Loss on early extinguishment of debt	(168)	-
Revenues in excess of expenses	93,571	65,857
Unrestricted net assets		
Cumulative effect of change in accounting principle - goodwill	(9,438)	-
Adjustment to the funded status of the pension plan	2,457	(6,568)
Other changes in unrestricted net assets	698	447
Increase in unrestricted net assets	87,288	59,736
Temporarily restricted net assets		
Contributions	1,754	1,746
Investment income	939	944
Other changes in temporarily restricted net assets	(16)	(1,055)
Net assets released from restrictions	(1,072)	(817)
Increase in temporarily restricted net assets	1,605	818
Change in net assets	88,893	60,554
Net assets at beginning of year	386,411	325,857
Net assets at end of year	$ 475,304	$ 386,411

Regional Health, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010
(Amounts in Thousands)

	2011	2010
Operating Activities		
Change in net assets	$ 88,893	$ 60,554
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Cumulative effect of change in accounting principle - goodwill	9,438	-
Adjustment to the funded status of the pension plan	(2,457)	6,568
Provision for uncollectible accounts	27,272	27,518
Depreciation and amortization	25,697	25,676
Change in value of interest rate swap	(1,440)	2,647
Restricted contributions and investment income	(2,693)	(2,690)
Gain on sale of facilities	(3,683)	-
Loss on extinguishment of debt	168	-
Changes in assets and liabilities		
Patient accounts receivable	(26,726)	(25,155)
Inventory and other	(23,227)	547
Estimated payables to third-party payors	(2,316)	3,655
Accounts payable	(5,601)	(1,355)
Accrued expenses	(227)	11,663
Investments limited as to use, net	(100,238)	(90,782)
Net Cash (Used in) Provided by Operating Activities	(17,140)	18,846
Investing Activities		
Purchase of property and equipment, net	(29,569)	(19,752)
Acquisition of physican practice	-	(3,000)
Sale of facilities	7,100	-
Restricted contributions and investment income	2,693	2,690
Increase in other long-term assets	(33)	(93)
Net Cash Used in Investing Activities	(19,809)	(20,155)
Financing Activities		
Proceeds from long-term debt	57,181	-
Repayment of long-term debt	(38,439)	(6,015)
Payment of deferred financing costs	(849)	-
Increase in other long-term liabilities	1,312	6,140
Net Cash Provided by Financing Activities	19,205	125
Net Change in Cash and Cash Equivalents	(17,744)	(1,184)
Cash and Cash Equivalents, Beginning of Year	39,616	40,800
Cash and Cash Equivalents, End of Year	$ 21,872	$ 39,616

Note 1 - Organization

Regional Health, Inc was formed in 2003 to establish policy and perform planning on behalf of the members of the Regional Health Obligated Group (Obligated Group) The Obligated Group consists of Rapid City Regional Hospital, Inc , Regional Health Network, Inc , and Regional Health Physicians, Inc Each member of the Obligated Group is a tax exempt organization

Rapid City Regional Hospital, Inc (Hospital) was formed from the consolidation of St John's McNamara Hospital and Bennett-Clarkson Memorial Hospital in 1973 The Hospital provides a wide variety of acute and tertiary care services on its main campus and through its adjacent John T Vucurevich Regional Cancer Care Institute, and Regional Rehabilitation Institute The Hospital also provides patient care at Regional Behavioral Health Center and Rapid City Regional Hospital Family Medicine Residency Program's clinic The Hospital employs physicians through its residency, cardiology, cardiovascular surgery, medical oncology, psychiatry, neurology, and hospitalist programs

Regional Health Network, Inc (Health Network) was formed in 2005 and owns and leases acute care hospitals, nursing homes, and assisted living facilities in Rapid City, South Dakota and throughout western South Dakota It also provides home medical equipment services in surrounding communities under the Regional Home Medical Equipment name

The Health Network owns the following facilities

Lead-Deadwood Regional Hospital is an acute care hospital located in Deadwood, South Dakota which is designated and certified as a critical access hospital

Spearfish Regional Hospital is an acute care hospital located in Spearfish, South Dakota

Sturgis Regional Hospital Sturgis Regional Senior Care is an acute care hospital and a long-term care facility in Sturgis, South Dakota Sturgis Regional Hospital is designated and certified as a critical access hospital

Fairmont Grand Regional Senior Care is an assisted living facility located in Rapid City, South Dakota

Golden Ridge Regional Senior Care is an assisted living facility located in Lead, South Dakota

Regional Health Physicians, Inc (RH Physicians) was formed in 2005 and owns, leases, and operates physician clinics in the South Dakota communities of Belle Fourche, Black Hawk, Buffalo, Deadwood, Newell, Rapid City, Spearfish, Sturgis, and Wall RH Physicians employs physicians, mid-level providers, and other health professionals who provide primary and specialty care including, but not limited to, audiology, behavioral health, dermatology, endocrinology, otorhinolaryngology ("ENT"), family medicine, general surgery, infectious disease, internal medicine, nephrology, neurosurgery, obstetrics, and gynecology ("OB/GYN"), orthopedic surgery, pediatrics, podiatry, pulmonology, and urology Additionally, RH Physicians owns the Spearfish Regional Surgery Center, a specialty hospital located in Spearfish, South Dakota

In January 2011, Health Network finalized the sale of its former Belle Fourche Regional Senior Care and Dorsett Regional Senior Care long-term care facilities These facilities were sold for $7,100 resulting in a gain of $3,683 reported in nonoperating gains (losses)

Western Health, Inc , the third-party administrator for Regional Health, Inc 's self-funded insurance plan along with some contracted clients, ceased operations as of March 31, 2010 The final dissolution occurred on June 29, 2010

The consolidated financial statements include the accounts and transactions of Regional Health Significant interaffiliate accounts and transactions have been eliminated

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements Estimates also affect the reported amounts of revenue and expenses during the reporting period Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates

Cash and Cash Equivalents

Cash and cash equivalents include certain highly liquid investments with a maturity of three months or less when purchased, excluding amounts whose use is limited or restricted

Accounts Receivable

Regional Health provides health care services through inpatient and outpatient care facilities Regional Health generally does not require collateral or other security in extending credit to patients, substantially all of whom are local residents However, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e g , Medicare, Medicaid, health maintenance organizations, and commercial insurance policies)

The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category The results of this review are then used to make any modifications to the allowance for doubtful accounts After satisfaction of amounts due from insurance and other third-party payors, Regional Health follows established guidelines for placing certain past-due patient balances with collection agencies

Inventory

Inventory of pharmaceutical and medical supplies is stated at the lower of cost or market using the first-in, first-out method

(Amounts in Thousands)

Investments

Investments limited as to use primarily include investments held by trustees under indenture agreements and investments designated by the Board of Trustees (the Board) for future capital improvements, over which the Board retains control, and by donors for specific purposes Amounts required to meet current liabilities of Regional Health have been classified as current investments limited as to use in the consolidated statements of financial position at June 30, 2011 and 2010 All investments are classified as trading, therefore, all realized and unrealized gains and losses are recognized in revenue and gains in excess of expenses

Investment income, consisting of interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses, is reported as a nonoperating gain (loss)

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair market value at the date of donation, if donated Depreciation, including depreciation of property and equipment subject to capital leases, is provided using the straight-line method over the estimated useful lives of the respective assets The following useful lives are used in computing depreciation

Land improvements	5 - 25 years
Buildings	10 - 40 years
Building additions and improvements	5 - 40 years
Fixed equipment	5 - 20 years
Movable equipment	3 - 15 years

Interest cost (net of related interest income) incurred on funds used during the construction of capital assets is capitalized as a component of the cost of acquiring those assets

Goodwill

Goodwill represents the excess of cost over the fair value of the net assets acquired through the acquisitions of various businesses Through June 30, 2010, Regional Health amortized goodwill over a fifteen-year period on the straight-line method As of June 30, 2010, Regional Health had goodwill of $11,207, net of accumulated amortization of $6,791 Effective July 1, 2011, Regional Health adopted Accounting Standards Update (ASU) 2010-07 Under ASU 2010-07, Regional Health is required to test the recoverability of goodwill on an annual basis, and at interim periods when circumstances require The goodwill testing utilizes a two-step impairment analysis, whereby Regional Health compares the carrying value of each identified reporting unit to its fair value If the carrying 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 Regional Health would recognize 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 generated by each reporting unit Regional Health's discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of Regional Health's reporting units

As of July 1, 2010, Regional Health, as required, ceased amortization of goodwill and performed an annual test for impairment of the goodwill balance Management performed a transitional goodwill impairment evaluation, similar to the two-step annual impairment analysis, in accordance with generally accepted accounting principles, and recorded goodwill impairment of $9,438 within changes in unrestricted net assets Regional Health performs its test for recoverability for goodwill on an annual basis and no further impairments resulted from this review

Long-Lived Assets

Regional Health considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of the asset is appropriate No impairment was identified for the years ended June 30, 2011 and 2010

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Regional Health has been limited by donors primarily for loans, scholarships and medical support for a specific time period or purpose Permanently restricted net assets have been restricted by donors to be maintained by Regional Health in perpetuity, the income from these funds is used primarily for loans and scholarships in accordance with the donor restrictions During the year ended June 30, 2011, net assets released from restrictions for capital purposes and to support operations were $924 and $148, respectively

Derivative Financial Instruments

As part of its debt and risk management programs, Regional Health has entered into an interest rate swap, which is recognized as a liability in the consolidated statements of financial position at fair value (see also Note 6)

Bond Issuance Costs

Costs of bond issuance are deferred and amortized using the straight line method over the term of the related indebtedness

Net Patient Service Revenue

Regional Health has agreements with third-party payors that provide for payments to Regional Health at amounts different from its established charges Payment arrangements include prospectively determined rates per discharge, reimbursed costs based on filed cost reports, discounted charges, and per diem payments

Net patient service revenue is reported at estimated net realized amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations Adjustments relating to the settlement of prior years' cost reports and other adjustments to prior year estimates increased revenue in excess of expenses by approximately $800 and $900 for the years ended June 30, 2011 and 2010, respectively

Charity Care

Regional Health provides care to certain patients under its charity care policy without charge or at amounts less than its established rates Since Regional Health does not pursue collection of amounts determined to qualify as charity care, the amounts are not reported as net patient service revenue in the accompanying consolidated financial statements Amounts classified as charity care are based on charges forgone at established rates

Revenues in Excess of Expenses

The consolidated statements of operations and changes in net assets include revenues in excess of expenses Changes in unrestricted net assets, which are excluded from revenues in excess of expenses, include net assets released from restriction as a result of assets acquired using donor-restricted contributions, the cumulative effect of change in accounting principle and changes in the pension liability

Income Taxes

Regional Health is organized as a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code Regional Health is required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS) In addition, Regional Health may be subject to income tax on income that is derived from business activities that are unrelated to its tax-exempt purpose

Regional Health 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 Regional Health 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 Regional Health`s federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2008

Functional Classification of Expenses

Regional Health provides general health care services to residents within communities served, including acute inpatient, sub-acute inpatient, outpatient, ambulatory, long-term, and home care as well as related general and administrative services Regional Health does not report expense information by functional classification because its resources and activities are primarily related to providing health care services Further, since Regional Health receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities

(Amounts in Thousands)

Note 3 - Net Patient Service Revenue

Net patient service revenue consists of the following for the years ended June 30

	2011	2010
Inpatient routine charges	$ 187,094	$ 173,485
Inpatient ancillary charges	381,894	351,035
Outpatient, long-term care, and clinic charges	443,134	418,949
Charity care	(18,562)	(21,809)
	993,560	921,660
Contractual allowances and adjustments	(501,809)	(455,378)
	$ 491,751	$ 466,282

Gross patient charges by payor for the years ended June 30 were derived as follows

	2011	2010
Medicare	44%	44%
Medicaid	14%	15%
Blue Cross	11%	11%
Commercial insurance, managed care, self-pay, and other	31%	30%
	100%	100%

At June 30, the mix of receivables from patients and other third-party payors was as follows

	2011	2010
Medicare	32%	26%
Medicaid	9%	10%
Blue Cross	9%	7%
Commercial insurance, managed care, self-pay, and other	50%	57%
	100%	100%

Regional Health has agreements with third-party payors that provide for payments at amounts different from established charges

Inpatient acute care services rendered 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 Medicare program pays for most outpatient services at predetermined rates under a prospective payment system Regional Health is reimbursed for other cost-reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by Regional Health and audits thereof by the Medicare fiscal intermediary Medicare cost reports have been audited and finalized by the Medicare fiscal intermediary through June 30, 2007 Regional Health has appealed the treatment of certain amounts in certain audited cost reports

(Amounts in Thousands)

Payments for Medicaid inpatients are based upon three methods (DRG rates, cost, and per diem) Medicaid outpatient services are paid based upon a cost reimbursement method with the exception of outpatient laboratory and home health Regional Health also has entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and the Indian Health Service The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules for certain outpatient services

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term

In addition, the IRS has established standards to be met to maintain Regional Health's tax-exempt status In general, such standards require Regional Health to meet a community benefits standard and comply with the laws and regulations governing the Medicare and Medicaid programs

Regional Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing

Note 4 - Investments Limited as to Use

Investments limited as to use as of June 30 are as follows

	2011	2010
Total funds held under bond indenture agreements classified as current	$ 15,917	$ 6,688
Funds held in escrow in service of 2001 defeased bonds	5,172	-
Total investments limited as to use classified as current	$ 21,089	$ 6,688
Funds held in escrow in service of 2001 defeased bonds	$ -	$ 5,193
Funds held under bond indenture agreements	11,581	3,061
Funds held under deferred compensation plan	5,233	3,549
Designated by Board for funded depreciation	391,988	289,899
Designated by donor for specific purposes	12,615	10,582
Total investments limited as to use classified as long-term	421,417	312,284
	$ 442,506	$ 318,972

(Amounts in Thousands)

Investments limited as to use consisted of the following as of June 30

	2011	2010
Cash and cash equivalents	$ 37,134	$ 14,196
Equity mutual funds	77,889	16,898
Equity securities	13,997	10,376
Commingled equity funds	98,824	67,833
Commingled bond funds	18,576	22,323
Corporate debt securities	73,119	85,302
U S government agency debt securities	61,079	48,190
U S Treasury debt securities	44,189	45,759
Collateralized mortgage obligation securities	5,954	1,102
Mortgage-backed securities	11,745	6,993
	$ 442,506	$ 318,972

Investment gain for the years ended June 30 is summarized as follows

	2011	2010
Interest income and dividends	$ 16,586	$ 10,423
Net realized gains	2,179	1,506
Net change in unrealized gains and losses	28,452	13,027
	$ 47,217	$ 24,956

Regional Health's investments are exposed to various kinds and levels of risk Common stocks expose Regional Health to market risk, performance risk, and liquidity risk Market risk is the risk associated with major movements of the equity markets Performance risk is risk associated with a company's operating performance Fixed income securities expose Regional Health to interest rate risk, credit risk, and liquidity risk As interest rates change, the value of many fixed income securities is affected, including those with fixed interest rates Credit risk is the risk that the obligor of the security will not fulfill its obligations Liquidity risk is affected by the willingness of market participants to buy and sell given securities Liquidity risk tends to be higher for equities related to small capitalization companies

Due to the volatility of the stock market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term As of September 30, 2011, the fair value of investments limited as to use declined by approximately 6 4% from the June 30, 2011 fair value of these investments

(Amounts in Thousands)

Note 5 - Long-Term Debt

Long-term debt consists of the following as of June 30

	2011	2010
2.000% to 5.000% South Dakota Health and Educational Facilities Authority revenue refunding bonds, Series 2010, with payments beginning September 1, 2011, in varying amounts maturing through September 1, 2028	$ 54,390	$ -
South Dakota Health and Educational Facilities Authority variable rate demand revenue bonds, Series 2008	66,960	67,465
5.000% to 5.625% South Dakota Health and Educational Facilities Authority revenue refunding bonds, Series 2001, $23,925 are serial bonds, with payments beginning September 1, 2008, in varying amounts maturing through September 1, 2021, and $9,390 are term bonds due on September 1, 2026	30,615	32,000
5.000% to 5.250% South Dakota Health and Educational Facilities Authority revenue refunding bonds, Series 1999, refunded in August 2010	-	3,850
4.500% to 5.000% South Dakota Health and Educational Facilities Authority revenue refunding bonds, Series 1998, refunded in August 2010	-	32,565
South Dakota Health and Educational Facilities Authority revenue refunding bonds, Series 2001, defeased and held in escrow	5,160	5,160
	157,125	141,040
Current maturities	(10,685)	(6,255)
Unamortized premium	2,791	134
	$ 149,231	$ 134,919

Regional Health, Inc , Rapid City Regional Hospital, Inc , Regional Health Network, Inc , and Regional Health Physicians, Inc currently comprise the obligated group (Obligated Group), which entered into a Master Trust Indenture dated March 1, 1998 Under this indenture and subsequent amendments, the bonds are secured by a first mortgage lien on the Obligated Group's facilities, funds held under a bond indenture agreement, and a security interest in the Obligated Group's gross receipts The bond agreements include, among other things, restrictions relating to debt service coverage, further indebtedness, corporate mergers, and transactions with affiliates

(Amounts in Thousands)

In August 2008, the Obligated Group defeased $8,498 of South Dakota Health and Education Facilities Authority, Variable Rate Revenue Bonds, Series 2003 and refinanced the remaining Series 2003 bonds with the South Dakota Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Series 2008 The Series 2008 bonds also generated $15,000 of project funds for the Obligated Group The Series 2008 bonds are backed by a letter of credit, which expires in August 2013 Based on the terms of the letter of credit, no payment would be required until the first quarterly date after the 367th day following any draw on the letter of credit

In August 2010, the Obligated Group refinanced the Series 1998 and 1999 bonds, which totaled $37,393 including accrued interest, as well as issued additional fixed rate debt to be used for eligible projects The total issue of the Series 2010 bonds was $54,390 In fiscal 2011, Regional Health recorded a loss on extinguishment of debt of $168, for this transaction

On April 1, 2001, the South Dakota Health and Educational Facilities Authority issued $39,750 of Revenue Refunding Bonds, Series 2001 The proceeds from the sale of the Series 2001 bonds were used to finance capital projects at the hospital facilities of the Obligated Group The project financed with the proceeds of the Series 2001 bonds consisted of the construction, remodeling, acquisition, and equipping of certain facilities of the Obligated Group's acute-care hospital facility and the acquisition and installation of equipment On August 28, 2006, the Obligated Group partially defeased its Series 2001 bonds in order to comply with IRS rules Bonds with a par value of $5,160 were defeased by funding an escrow account (see Note 4) On September 1, 2011, the $5,160 of defeased bonds were called at par value

On June 3, 1999, the South Dakota Health and Educational Facilities Authority issued $14,880 of Revenue Refunding Bonds, Series 1999 The proceeds from the sale of the Series 1999 bonds were used to pay the principal and interest on the remaining portion of outstanding Series 1989 and 1992 bonds

On April 1, 1998, the South Dakota Health and Educational Facilities Authority issued $78,405 of Revenue Refunding Bonds, Series 1998 The proceeds from the sale of the Series 1998 bonds were used to pay the principal and interest on a portion of outstanding Series 1989 and 1992 bonds and to finance capital projects at the hospital facilities of the Obligated Group The project financed with the proceeds of the Series 1998 bonds consisted of the construction, remodeling, acquisition, and equipping of the Obligated Group's acute-care hospital facility, including the Maternal Child Health Service and the Pediatric Service, and the acquisition and installation of items of equipment

The aggregate amount of principal payments required by year for the above debt obligations as of June 30, 2011, is as follows

Years Ending June 30,	
2012	$ 10,685
2013	5,740
2014	6,015
2015	6,330
2016	6,680
Thereafter	121,675
	$ 157,125

For the years ended June 30, 2011 and 2010, Regional Health paid interest of $4,114 and $3,283, respectively

(Amounts in Thousands)

Regional Health has a line of credit of $10,000, expiring December 15, 2011, available for short-term borrowing at a variable interest rate, as defined in the agreement There was no outstanding borrowing at June 30, 2011

Note 6 - Derivative Financial Instruments

The following is a summary of the outstanding position of the derivative financial instrument of Regional Health at June 30, 2011

	Bond Series	Notional Amount	Termination Date	Rate Paid	Rate Received
Interest rate swap	2008	60,000,000	9/1/2027	4 079%	63% of 1-month LIBOR plus 30 basis points

The interest rate swap reduces the Obligated Group's exposure to interest rate and payment variation from the underlying 2008 Series bonds Regional Health has previously de-designated the interest rate swap from a cash flow hedge, and accordingly, the interest rate swap is not designated as a hedging instrument

The location and fair value (liability) of the derivative financial instrument of Regional Health is as follows at June 30

	Location	2011	2010
Interest rate swap	Payable under interest rate swap	$ (8,717)	$ (10,157)

The location and the loss on the derivative instrument recognized in revenue in excess of expenses in the consolidated statements of operations and changes in net assets for the years ended June 30 are as follows

	Location	2011	2010
Interest rate swap	Loss on interest rate swap	$ (731)	$ (4,815)

The loss on interest rate swap includes a change in the fair value of the interest rate swap of $1,441 and $(2,647) and amounts paid to the counterparty under the terms of the agreement of $(2,172) and $(2,168), respectively, at June 30, 2011 and 2010

Derivative transactions contain credit risk in the event the parties are unable to meet the terms of the contract, which is generally limited to the fair value due from counterparties on outstanding contracts At June 30, 2011 and 2010, the counterparty had a Standard & Poor's credit quality rating of A-1+

(Amounts in Thousands)

Note 7 - Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date The Fair Value Measurements and Disclosures Section of the Financial Accounting Standards Board's Accounting Standards Codification No 820, establishes a framework for measuring fair value The framework consists of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date The three levels are defined as follows

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

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

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

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

The following table presents the financial instruments carried at fair value on a recurring basis as of June 30, 2011, by the fair value hierarchy defined above

	2011			
	Level 1	Level 2	Level 3	Total
Assets				
Investments limited as to use				
Cash and cash equivalents	$ 37,134	$ -	$ -	$ 37,134
Equity mutual funds	77,889	-	-	77,889
Equity securities	12,841	1,156	-	13,997
Commingled equity fund	-	98,824	-	98,824
Commingled bond fund	-	18,576	-	18,576
Corporate debt securities	-	73,119	-	73,119
U S government agency debt securities	-	61,079	-	61,079
U S Treasury debt securities	-	44,189	-	44,189
Collateralized mortgage obligation securities	-	5,954	-	5,954
Mortgage-backed securities	-	11,745	-	11,745
	$ 127,864	$ 314,642	$ -	$ 442,506
Liabilities				
Derivative financial instruments	$ -	$ 8,717	$ -	$ 8,717

(Amounts in Thousands)

The following table presents the financial instruments carried at fair value on a recurring basis as of June 30, 2010, by the fair value hierarchy defined above

	2010			
	Level 1	Level 2	Level 3	Total
Assets				
Investments limited as to use				
Cash and cash equivalents	$ 14,196	$ -	$ -	$ 14,196
Equity mutual funds	16,898	-	-	16,898
Equity securities	9,293	1,083	-	10,376
Commingled equity fund	-	67,833	-	67,833
Commingled bond fund	-	22,323	-	22,323
Corporate debt securities	-	85,302	-	85,302
U S government agency debt securities	-	48,190	-	48,190
U S Treasury debt securities	-	45,759	-	45,759
Collateralized mortgage obligation securities	-	1,102	-	1,102
Mortgage-backed securities	-	6,993	-	6,993
	$ 40,387	$ 278,585	$ -	$ 318,972
Liabilities				
Derivative financial instruments	$ -	$ 10,157	$ -	$ 10,157

Fair value for Level 1 is based upon quoted market prices Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets Inputs are obtained from various sources, including market participants, dealers, and brokers

Fair value for Level 2 liabilities is based primarily on a discounted cash flow method based on forward interest rates The valuations also reflect a credit spread adjustment to the LIBOR discount curve in order to reflect the credit value adjustment for "nonperformance" risk The credit spread adjustment is derived from other comparably rated entities' bonds priced in the market

The carrying value of cash, cash equivalents, accounts receivable, notes payable, accounts payable, and accrued expenses is a reasonable estimate of their fair value due to the short-term nature of these financial instruments

The estimated fair value of long-term debt, based on quoted market prices for the same or similar issues (excluding the impact of third-party credit enhancements) was approximately $1,048 and $515, more than its carrying value at June 30, 2011 and 2010, respectively

(Amounts in Thousands)

Note 8 - Pension Plan

Regional Health sponsors a non-contributory defined benefit plan that covers substantially all full-time employees The plan is a "cash balance" plan with benefits based upon a percentage of annual salary and years of service Regional Health's policy is to fund annually at least the amount required by the applicable laws and regulations

The funded status of the defined benefit plan as of June 30 (measurement date) is as follows

	2011	2010
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 82,764	$ 71,611
Service cost	5,923	5,059
Interest cost	4,426	4,502
Actuarial loss	4,553	6,326
Benefits paid	(5,584)	(4,734)
Projected benefit obligation at end of year	$ 92,082	$ 82,764
Change in plan assets		
Fair value of plan assets at beginning of year	$ 69,955	$ 65,203
Actual return on plan assets	11,895	4,686
Employer contributions	4,800	4,800
Benefits paid	(5,584)	(4,734)
Fair value of plan assets at end of year	$ 81,066	$ 69,955
Funded status of the plan (underfunded)	$ (11,016)	$ (12,809)

As of June 30, 2011 and 2010, the accumulated benefit obligation was $78,467 and $71,976, respectively

Components of net periodic benefit cost for the years ended June 30 are as follows

	2011	2010
Service cost	$ 5,923	$ 5,059
Interest cost	4,426	4,502
Expected return on plan assets	(5,351)	(5,064)
Net amortization and deferral	465	136
	$ 5,463	$ 4,633

(Amounts in Thousands)

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost as of and for the years ended June 30 were as follows

	2011	2010
Weighted average discount rate at beginning of year (used to determine net periodic benefit cost)	5 50%	6 50%
Weighted average discount rate at end of year (used to determine benefit obligation)	5 50%	5 50%
Weighted average expected return on plan assets	7 75%	7 75%
Rate of increase in future compensation levels	4 50%	4 50%

The overall weighted average return on plan assets is determined by applying management's judgment to the results of computer modeling, historical trends, and benchmarking data

Accumulated amounts previously not recognized in net periodic pension cost and included in other changes in unrestricted net assets at June 30, 2011 and 2010, are $11,555 and $14,012, respectively, which consist of unrecognized actuarial losses of $10,273 and $12,594, respectively, unrecognized prior service cost of $1,271 and $1,394, respectively, and unrecognized net transition obligation of $11 and $24, respectively

Actuarial losses are amortized as a component of net periodic pension cost, only if the losses exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets No amortization is expected for the year ending June 30, 2012 The prior service cost and the net transition obligation included in net assets are expected to be recognized in net periodic pension cost during the year ending June 30, 2012, in the amount of $123 and $11, respectively Unrecognized prior service costs and net transition obligation are amortized on a straight-line basis

The plan maintains an investment policy, which covers responsibilities of the plan sponsor, investment managers, investment objectives, asset allocation targets and ranges, asset guidelines (including permissible and not permissible holdings), and manager review criteria A committee of the Board periodically reviews and approves the investment policy and asset allocation of the pension plan The plan sponsor is responsible for ensuring that the criteria stated within the policy are carried through The plan sponsor's activities are supported by an independent investment consulting firm All assets are invested with outside managers The Investment Committee of the Board of Trustees annually reviews asset allocation to determine if the current structure is appropriate and whether any changes are necessary

(Amounts in Thousands)

The fair value of pension plan assets was determined using the fair value hierarchy, as defined in Note 7, at June 30, 2011

	Level 1	Level 2	Level 3	Total
Bonds				
Corporate foreign	$ -	$ 3,110	$ -	$ 3,110
Corporate	-	18,906	-	18,906
Government	10,961	-	-	10,961
Common stocks				
U S Companies	39,825	-	-	39,825
International companies	6,354	-	-	6,354
Preferred stocks				
U S Companies	77	-	-	77
Money market	1,833	-	-	1,833
	$ 59,050	$ 22,016	$ -	$ 81,066

The current target allocation and actual asset allocation as of June 30 are as follows

	Asset Allocation Target	2011	2010
Equity securities	55%	57 1%	49 6%
Debt securities	40%	40 7%	45 5%
Cash and cash equivalents	5%	2 3%	4 9%
	100%	100%	100%

As of June 30, 2011, Regional Health has met its minimum pension contribution requirement Regional Health estimates that it will contribute $5,000 to the plan during the year ending June 30, 2012

The following benefits, which reflect expected future service, are expected to be paid

2012	$ 5,460
2013	5,551
2014	5,665
2015	6,113
2016	7,539
2017-2021	60,055

Note 9 - Commitments and Contingencies

Regional Health has maintained malpractice and professional indemnity insurance coverage on a claims-made basis for the past several years Regional Health is self-insured for the first layer of losses In fiscal year 2011, the self-insured portion had limits of up to $1,000 per occurrence and a $4,000 annual aggregate Regional Health has accrued for exposure on incidents that have occurred for which claims may be made in the future based on estimates provided by consulting actuaries

Regional Health is a defendant in several lawsuits involving a former physician Although Regional Health expects to defend itself in these cases, the likelihood of a successful defense continues to be unknown and indeterminable as of June 30, 2011

Regional Health is self-insured for workers' compensation, subject to stop-loss and statutory limitations and provisions From April 2000 to September 2008, Regional Health maintained an insurance policy, which covers workers' compensation claims Prior to April 2000, Regional Health was self-insured for workers' compensation, subject to stop-loss and statutory limitations and provisions

As of June 30, 2011 and 2010, Regional Health has accrued $6,638 and $6,653, respectively, for known and incurred but not reported claims relating to malpractice and workers' compensation, respectively In the opinion of management, the ultimate disposition of these claims will not have a material adverse effect on Regional Health's consolidated financial statements

At June 30, 2011 and 2010, Regional Health had $3,123 and $3,657, respectively, in capital lease obligations which are recorded in other long-term liabilities Minimum lease payments of $680 are due for each of the next five years

At June 30, 2011, Regional Health has guaranteed the debt of certain joint ventures totaling $1,344, for a period of four years If the joint ventures were unable to pay the principal and interest on the debt, Regional Health would be liable No liability has been recorded relating to the guarantees in the consolidated financial statements

Note 10 - Subsequent Events

Regional Health evaluated events and transactions occurring subsequent to June 30, 2011 through October 13, 2011, the date of issuance of the consolidated financial statements During this period, there were no subsequent events requiring recognition in the consolidated financial statements The following subsequent events have occurred that require disclosure

- Regional Health has entered into an agreement to purchase a medical office building for a price of $15,150 with an expected closing date of October 14, 2011
- Regional Health has started the process to refinance the Series 2001 Bonds and incur additional indebtedness of approximately $30,000 This transaction is projected to close before November 22, 2011

Supplementary Information
June 30, 2011 and 2010

Regional Health, Inc.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Compliance and Audit Committee
Regional Health, Inc
Rapid City, South Dakota

We have audited the consolidated financial statements of Regional Health, Inc as of and for the year ended June 30, 2011, and our report thereon dated October 13, 2011, which expressed an unqualified opinion on those consolidated financial statements appears on page 1 Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole The consolidating information on pages 24 to 26 as of and for the year ended June 30, 2011 is presented for the purposes of additional analysis of the consolidated financial statements rather than to present financial position, results of operations, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements The consolidating information on pages 24 to 26 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the information on pages 24 to 26 is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Eide Bailly LLP

Minneapolis, Minnesota
October 13, 2011

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	Rapid City Regional Hospital, Inc	Regional Health Network, Inc	Regional Health Physicians, Inc
Assets			
Current assets			
Cash and cash equivalents	$ 20,667	$ 812	$ 192
Receivables			
Patient accounts	64,297	11,265	6,620
Allowance for doubtful accounts	(13,383)	(1,942)	(2,380)
	50,914	9,323	4,240
Other receivables	1,261	731	91
Investments limited as to use	21,089	-	-
Inventory	7,589	1,223	-
Prepaid expenses	5,823	445	99
Total current assets	107,343	12,534	4,622
Investments Limited as to Use, Less Current Portion	421,294	123	-
Property and Equipment			
Land and improvements	10,185	10,385	-
Buildings and fixed equipment	171,734	39,326	1,120
Leased buildings	3,629	-	-
Movable equipment	192,137	27,857	5,348
	377,685	77,568	6,468
Less accumulated depreciation	(265,490)	(41,125)	(2,813)
	112,195	36,443	3,655
Construction-in-process	4,888	138	59
Total property and equipment	117,083	36,581	3,714
Goodwill and Intangibles, Net	2,127	62	137
Bond Issue Costs, Net	2,097	-	-
Other Long-Term Assets	52,800	183	111
	$ 702,744	$ 49,483	$ 8,584

(Amounts in Thousands)

Total Obligated Group	Other	Eliminations	Total
$ 21,671	$ 201	$ -	$ 21,872
82,182	-	-	82,182
(17,705)	-	-	(17,705)
64,477	-	-	64,477
2,083	-	-	2,083
21,089	-	-	21,089
8,812	-	-	8,812
6,367	-	-	6,367
124,499	201	-	124,700
421,417	-	-	421,417
20,570	90	-	20,660
212,180	6,586	-	218,766
3,629	-	-	3,629
225,342	38	-	225,380
461,721	6,714	-	468,435
(309,428)	(3,175)	-	(312,603)
152,293	3,539	-	155,832
5,085	-	-	5,085
157,378	3,539	-	160,917
2,326	-	-	2,326
2,097	-	-	2,097
53,094	-	(49,163)	3,931
$ 760,811	$ 3,740	$ (49,163)	$ 715,388

	Rapid City Regional Hospital, Inc	Regional Health Network, Inc	Regional Health Physicians, Inc
Liabilities and Net Assets			
Current Liabilities			
Current maturities of long-term debt	$ 10,685	$ -	$ -
Accounts payable	5,792	207	43
Estimated payables to third-party payors	2,428	1,315	-
Accrued expenses			
Interest	1,646	-	-
Salaries and wages	8,609	1,424	2,512
Compensated absences	9,347	1,902	1,003
Employee health insurance liability	4,320	-	-
Other	4,814	73	22
Intercompany (receivable) payable	(75,765)	30,200	94,730
Total current liabilities	(28,124)	35,121	98,310
Other Liabilities			
Payable under interest rate swap	8,717	-	-
Other long-term liabilities	14,667	-	-
Accrued pension liability	11,016	-	-
Long-term debt, less current maturities	149,231	-	-
Total liabilities	155,507	35,121	98,310
Net Assets			
Unrestricted	535,548	13,403	(89,726)
Temporarily restricted	9,941	859	-
Permanently restricted	1,748	100	-
Total net assets	547,237	14,362	(89,726)
	$ 702,744	$ 49,483	$ 8,584

(Amounts in Thousands)

Total Obligated Group	Other	Eliminations	Total
$ 10,685	$ -	$ -	$ 10,685
6,042	129	-	6,171
3,743	-	-	3,743
1,646	-	-	1,646
12,545	-	-	12,545
12,252	-	-	12,252
4,320	-	-	4,320
4,909	182	-	5,091
49,165	(2)	(49,163)	-
105,307	309	(49,163)	56,453
8,717	-	-	8,717
14,667	-	-	14,667
11,016	-	-	11,016
149,231	-	-	149,231
288,938	309	(49,163)	240,084
459,225	3,431	-	462,656
10,800	-	-	10,800
1,848	-	-	1,848
471,873	3,431	-	475,304
$ 760,811	$ 3,740	$ (49,163)	$ 715,388

	Rapid City Regional Hospital, Inc	Regional Health Network, Inc	Regional Health Physicians, Inc
Operating revenue			
Net patient service revenue	$ 374,582	$ 75,318	$ 40,280
Other	63,895	8,794	2,040
Total operating revenue	438,477	84,112	42,320
Operating expenses			
Salaries and wages	157,622	35,379	33,684
Payroll taxes and benefits	22,974	8,584	6,677
Outside services	39,732	3,277	4,192
Medical supplies	59,631	5,974	2,490
Provision for uncollectible accounts	22,797	3,550	925
Other supplies and expenses	27,573	7,053	5,280
Depreciation and amortization	20,269	3,817	1,418
Interest	4,536	74	-
Intercompany	29,187	9,785	4,831
Total operating expenses	384,321	77,493	59,497
Operating income (loss)	54,156	6,619	(17,177)
Nonoperating gains (losses)			
Investment gain	47,068	133	16
Gain on sale of facilities	3,683	-	-
Loss on interest rate swap	(731)	-	-
Loss on early extinguishment of debt	(168)	-	-
Revenues in excess (deficit) of expenses	104,008	6,752	(17,161)
Unrestricted net assets			
Cumulative effect of change in accounting principle - goodwill (Note 2)	-	(9,384)	(54)
Adjustment to the funded status of the pension plan	2,457	-	-
Other changes in unrestricted net assets	754	(56)	-
Increase (decrease) in unrestricted net assets	$ 107,219	$ (2,688)	$ (17,215)

(Amounts in Thousands)

Total Obligated Group	Other	Eliminations	Total
$ 490,180	$ -	$ 1,571	$ 491,751
74,729	857	(45,374)	30,212
564,909	857	(43,803)	521,963
226,685	-	-	226,685
38,235	-	-	38,235
47,201	297	-	47,498
68,095	-	-	68,095
27,272	-	-	27,272
39,906	395	-	40,301
25,504	193	-	25,697
4,610	-	-	4,610
43,803	-	(43,803)	-
521,311	885	(43,803)	478,393
43,598	(28)	-	43,570
47,217	-	-	47,217
3,683	-	-	3,683
(731)	-	-	(731)
(168)	-	-	(168)
93,599	(28)	-	93,571
(9,438)	-	-	(9,438)
2,457	-	-	2,457
698	-	-	698
$ 87,316	$ (28)	$ -	$ 87,288