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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

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 06-01-2011 and ending 05-31-2012

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

PRAIRIE LAKES HEALTH CARE SYSTEM INC

Doing Business As

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

Room/suite

PO BOX 1210

City or town, state or country, and ZIP + 4

WATERTOWN, SD 57201

F Name and address of principal officer

JILL FULLER

PO BOX 1210

WATERTOWN,SD 57201

D Employer identification number

46-0391067

E Telephone number

(605) 882-7000

G Gross receipts \$ 114,588,652

I Tax-exempt status

☒ 501(c)(3)

☐ 501(c) ()

☐ (insert no)

☐ 4947(a)(1) or

☐ 527

J Website:

WWW.PRAIRIELAKES.COM

K Form of organization

☒ Corporation

☐ Trust

☐ Association

☐ Other

L Year of formation 1986

M State of legal domicile SD

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities HEALTH CARE SERVICES		
	2	Check this box <input type="checkbox"/> 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	14
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
Revenue	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	544
	6	Total number of volunteers (estimate if necessary)	6	88
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,153,629
	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	129,359	226,880
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	77,489,811	78,930,177
Expenses	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	3,309,449	4,029,479
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,077,973	2,094,818
	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	82,006,592	85,281,354
	14	Benefits paid to or for members (Part IX, column (A), line 4)	143,596	155,832
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	0	0
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	33,571,146	33,433,689
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0	0	0
Net Assets or Fund Balances	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	0	0
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	38,983,847	36,004,779
	19	Revenue less expenses Subtract line 18 from line 12	72,698,589	69,594,300
			9,308,003	15,687,054
			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	169,631,399	181,017,131
	21	Total liabilities (Part X, line 26)	34,640,935	32,586,154
	22	Net assets or fund balances Subtract line 21 from line 20	134,990,464	148,430,977

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

2013-04-05

Date

JILL FULLER CFO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

ROBERT E SCHILE

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)
P00369682

Firm's name (or yours if self-employed), address, and ZIP + 4

CLIFTONLARSONALLEN LLP
220 SOUTH SIXTH STREET SUITE 300
MINNEAPOLIS, MN 55402

EIN ☐ 41-0746749

Phone no ☐ (612) 376-4500

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

☒ Yes

☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

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

PRAIRIE LAKES HEALTH CARE SYSTEM THROUGH THE EFFORTS OF ITS DEDICATED EMPLOYEES AND PHYSICIANS, PROVIDES HIGH QUALITY, AFFORDABLE AND COMPASSIONATE HEALTHCARE SERVICES FOR THE PEOPLE IN THE REGION

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations 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.


















PRAIRIE LAKES HEALTHCARE SYSTEM IS A LEADER IN REGIONAL HEALTHCARE FOR NORTHEASTERN SOUTH DAKOTA. CARING FOR A NINE-COUNTY SERVICE AREA OF 88,000 PEOPLE, THE HEALTH PROFESSIONALS OF PRAIRIE LAKES HEALTHCARE SYSTEM ARE DEDICATED TO EXCELLENCE. THAT COMMITMENT HAS MADE PRAIRIE LAKES ONE OF THE MOST INNOVATIVE RURAL MEDICAL CENTERS IN THE NATION. PRAIRIE LAKES HEALTHCARE SYSTEM HAS BEEN A DYNAMIC MODEL FOR RURAL HEALTH, HAS SERVED AS A "SHOW SITE" FOR PATIENT CARE TECHNOLOGY AND DIAGNOSTIC EQUIPMENT, AND WE ARE UNCHALLENGED IN OUR UNCOMPROMISING CARE FOR PATIENTS AND THEIR FAMILIES. PRAIRIE LAKES HEALTHCARE SYSTEM PRIDES ITSELF ON BEING A TECHNOLOGICALLY-ADVANCED PROVIDER OF HEALTHCARE SERVICES TO THE PEOPLE IN THIS REGION. OUR MISSION TO OFFER QUALITY AND COMPASSIONATE SERVICES GUIDES OUR MEDICAL STAFF, EMPLOYEES, ADMINISTRATION, AND BOARD OF DIRECTORS. BECAUSE OF OUR PROACTIVE EFFORTS, PRAIRIE LAKES HAS BEEN FIRST IN THE STATE TO OFFER OUR PATIENTS LEADING-EDGE TECHNOLOGY AND SERVICES. PRAIRIE LAKES INVITED TO PARTICIPATE IN NATIONAL PROJECT. PRAIRIE LAKES HEALTHCARE SYSTEM IS ONE OF 13 HOSPITALS NATIONWIDE THAT PARTICIPATED IN A NATIONAL DEMONSTRATION PROJECT TO IMPROVE INPATIENT PROCESSES OF CARE IN AMERICAN HOSPITALS. THE ROBERT WOOD JOHNSON FOUNDATION AND THE INSTITUTE FOR HEALTHCARE IMPROVEMENT LEAD THE PROJECT. PRAIRIE LAKES RECEIVED THE EXCLUSIVE INVITATION AFTER BEING RECOGNIZED FOR INNOVATION AND QUALITY OF CARE DURING A PREVIOUS INSTITUTE FOR HEALTHCARE PROJECT. PRAIRIE LAKES FIRST IN STATE TO OFFER 8-CHANNEL MRI TECHNOLOGY. PRAIRIE LAKES HEALTHCARE SYSTEM WAS THE FIRST HOSPITAL IN THE STATE TO DEPLOY GE EXCITE 8-CHANNEL MRI TECHNOLOGY WITH THE PURCHASE OF A 8-CHANNEL MAGNETIC RESONANCE IMAGING (MRI) SCANNER. THE UNIT IS LOCATED IN THE RADIOLOGY DEPARTMENT AT PRAIRIE LAKES HOSPITAL AND REPLACED THE MOBILE UNIT LOCATED OUTSIDE THE HOSPITAL BUILDING. FIRST MINIMALLY INVASIVE KNEE SURGERY IN TRI-STATE AREA PERFORMED AT PRAIRIE LAKES. AN INNOVATIVE KNEE REPLACEMENT SURGERY AVAILABLE IN WATERTOWN GIVES PATIENTS A LESS INVASIVE ALTERNATIVE. THE TECHNIQUE, CALLED MINI-INCISION TOTAL KNEE ARTHROPLASTY, UTILIZES A 4- TO 5-INCH INCISION TO ACCESS THE DAMAGED PORTION OF THE KNEE, WHICH IS THEN REPLACED WITH AN ARTIFICIAL DEVICE. A SMALLER INCISION GENERALLY MEANS PATIENTS MAY EXPERIENCE LESS PAIN, LESS DISRUPTION OF TISSUE IN THE KNEE, AND MAY BE ABLE TO EXERCISE THE KNEE SOONER AND MORE EFFECTIVELY. THE SURGERY WAS THE FIRST OF ITS KIND IN NORTH AND SOUTH DAKOTA AND MINNESOTA. PRAIRIE LAKES FIRST IN STATE TO INSTALL 16-SLICE CT TECHNOLOGY. PRAIRIE LAKES HEALTHCARE SYSTEM WAS THE FIRST HOSPITAL IN SOUTH DAKOTA TO INSTALL AN ADVANCED COMPUTED TOMOGRAPHY (CT) SCANNER THAT PROVIDES DETAILED IMAGES OF THE BODY. THIS ADVANCED TECHNOLOGY NOT ONLY MEANS MORE DIAGNOSTIC INFORMATION FOR DOCTORS IN ROUTINE SITUATIONS, BUT ITS SPEED CAN ALSO SAVE PRECIOUS EXAM TIME IN THE EMERGENCY ROOM. PRAIRIE LAKES FIRST IN STATE TO OFFER IMRT. PRAIRIE LAKES CANCER CENTER WAS THE FIRST CANCER CENTER IN SOUTH DAKOTA TO OFFER ITS PATIENTS A SOPHISTICATED RADIATION THERAPY CALLED IMRT - INTENSITY MODULATED RADIATION THERAPY. THE GOAL AT THE CANCER CENTER IS TO CONTINUE TO STAY AHEAD OF THE LATEST ONCOLOGY TREATMENTS AND TECHNOLOGY AND BRING ADVANCED THERAPIES - LIKE IMRT - HERE TO WATERTOWN.

[illegible][illegible]

4e	Total program service expenses	\$ 61,295,820
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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 	Yes	
2	Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	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		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		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 		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 		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 		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 		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI. 	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. 		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. 		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. 		No
e	Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X. 	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. 	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 		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 	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Part I		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, Part II and IV		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, Part III and IV		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		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		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		No
20a	Did the organization operate one or more hospitals? If "Yes," complete Schedule H 	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements 	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? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	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? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	Yes	
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	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? <i>If "Yes," complete Schedule L, Part II</i>	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

<div>Part V</div> <div>Statements Regarding Other IRS Filings and Tax Compliance</div>			
Check if Schedule O contains a response to any question in this Part V <div></div>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a82	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b0	
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.	2a544	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," 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 or securities 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. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a	
b	Enter the aggregate 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 aggregate 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 14		
b Enter the number of voting members included in line 1a, above, who are independent	1b 14		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6 Did the organization have members or stockholders?	6		No
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		No
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		No
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 Did the organization have local chapters, branches, or affiliates?	10a		No
b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a		No
b Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a Did the organization have a written conflict of interest policy? <i>If "No," go to line 13</i>	12a	Yes	
b Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13 Did the organization have a written whistleblower policy?	13	Yes	
14 Did the organization have a written document retention and destruction policy?	14	Yes	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a The organization's CEO, Executive Director, or top management official	15a	Yes	
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," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed▶	
18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. 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 ▶ ADAM PAUL 401 9TH AVENUE NW WATERTOWN, SD 57201 (605) 882-7000	

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, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JOHN CALVIN BOARD MEMBER	1 00	X						0	0	0
(2) ROGER CARTER MD BOARD MEMBER	1 00	X						0	0	0
(3) DUSTIN FLATTEN BOARD TREASURER	1 00	X		X				0	0	0
(4) VINCE FOLEY BOARD MEMBER	1 00	X						0	0	0
(5) CATHERINE GERRISH MD BOARD MEMBER	1 00	X						0	0	0
(6) BERNIE HANSON MD BOARD MEMBER	1 00	X						0	0	0
(7) GEOFF HEIG BOARD SECRETARY	1 00	X		X				0	0	0
(8) MONTE HOPPER BOARD CHAIR	1 00	X		X				0	0	0
(9) JIM REDLINGER BOARD MEMBER	1 00	X						0	0	0
(10) GERALD RIEBER MD BOARD MEMBER	1 00	X						0	0	0
(11) MARK ROBY BOARD VICE CHAIR	1 00	X		X				0	0	0
(12) DOUG SHARP BOARD MEMBER	1 00	X						0	0	0
(13) LUANN STRAIT BOARD MEMBER	1 00	X						0	0	0
(14) LISSA TURBAK BOARD MEMBER	1 00	X						0	0	0
(15) JILL FULLER CEO	40 00			X				419,372	0	25,868
(16) ADAM PAUL CFO	40 00			X				72,970	0	1,078
(17) MICHAEL ANDERSON CHIEF INVESTMENT OFFICER	40 00				X			429,508	0	24,518

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 (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) TRACI RABINE VP CLINIC OPERATIONS	40 00				X			151,605	0	21,960
(19) MICHELE TURBAK CHIEF NURSING OFFICER	40 00				X			157,540	0	21,980
(20) EVELIO GARCIA MD PHYSICIAN	40 00					X		1,170,008	0	24,861
(21) SALEM MAALIKI MD PHYSICIAN	40 00					X		979,185	0	25,058
(22) SAIRAV SHAH MD PHYSICIAN	40 00					X		786,960	0	17,506
(23) BIPINKUMAR AMIN MD PHYSICIAN	40 00					X		620,500	0	21,610
(24) JEFFERY BRINDLE MD PHYSICIAN	40 00					X		488,849	0	26,709
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								5,276,497	0	211,148

2Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶25

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

Section B. Independent Contractors

1Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
DR EW FILLER MD PC 21804 468TH AVE VOLGA, SD 57006	ER MD COVERAGE	365,379
WEATHERBY LOCUMS PO BOX 972633 DALLAS, TX 75397	ER MD ONCOLOGY COVERAGE	328,106
PDS INC 4152 30TH AVE S STE 103 FARGO, ND 58104	SLEEP STUDIES	317,725
MARK VOSSLER MD 47241 180TH ST CLEAR LAKE, SD 57226	ER MD COVERAGE	195,199
PRAIRIE EMERGENCY PHYSICIANS LLC PO BOX 793 TRAVERSE CITY, MI 49685	ER MD COVERAGE	187,609
2Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶12		

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	126,000				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	100,880				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f		226,880				
Program Service Revenue			Business Code					
	2a	NET PATIENT SERVICE RE	621400	78,035,608	78,035,608			
	b	RETAIL PHARMACY	900000	639,498		639,498		
	c	LAB SERVICE	621500	255,071		255,071		
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f		78,930,177				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)		284,533			284,533	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		Gross rents	765,534					
		b Less rental expenses	0					
		c Rental income or (loss)	765,534					
	d	Net rental income or (loss)		765,534			765,534	
	7a	(i) Securities		(ii) Other				
		Gross amount from sales of assets other than inventory	20,833,290	12,218,954				
		b Less cost or other basis and sales expenses	17,093,908	12,213,390				
		c Gain or (loss)	3,739,382	5,564				
	d	Net gain or (loss)		3,744,946			3,744,946	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19	a					
	b	Less direct expenses	b					
	c	Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances	a					
b	Less cost of goods sold	b						
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a	OTHER INCOME	900099	1,070,224			1,070,224		
b	CAFETERIA REVENUE	722210	253,161		253,161			
c	VENDING MACHINES	722210	4,968		4,968			
d	All other revenue		931		931			
e	Total. Add lines 11a-11d		1,329,284					
12	Total revenue. See Instructions		85,281,354	78,035,608	1,153,629	5,865,237		

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)
Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	155,832	155,832		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	1,514,800		1,514,800	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	26,703,117	23,908,776	2,794,341	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	633,923	557,926	75,997	
9	Other employee benefits	2,599,424	2,279,763	319,661	
10	Payroll taxes	1,982,425	1,707,991	274,434	
11	Fees for services (non-employees)				
a	Management				
b	Legal	25,193		25,193	
c	Accounting	49,515		49,515	
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	5,920,241	4,782,696	1,137,545	
12	Advertising and promotion	261,103	29,703	231,400	
13	Office expenses	6,076,257	5,830,432	245,825	
14	Information technology	416,834	410,101	6,733	
15	Royalties				
16	Occupancy	954,941	16,150	938,791	
17	Travel	432,052	346,111	85,941	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	137,297	58,369	78,928	
20	Interest	809,016	809,016		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	4,717,362	4,478,650	238,712	
23	Insurance	250,071	250,071		
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	DRUGS	7,265,869	7,265,869		
b	PROVISION FOR BAD DEBT	3,484,501	3,484,501		
c	MEDICAL SUPPLIES	2,996,386	2,995,928	458	
d	EQUIPMENT RENTAL & MAIN	1,496,489	1,485,762	10,727	
e					
f	All other expenses	711,652	442,173	269,479	
25	Total functional expenses. Add lines 1 through 24f	69,594,300	61,295,820	8,298,480	0
26	Joint costs. Check here <input type="checkbox"/> 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)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			1,558	1	1,558
	2	Savings and temporary cash investments			6,321,488	2	7,700,535
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			6,994,797	4	7,466,057
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			88,633	5	21,033
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net			651,081	7	1,767,814
	8	Inventories for sale or use			1,645,996	8	1,633,591
	9	Prepaid expenses and deferred charges			408,091	9	434,407
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	105,719,852			
	b	Less: accumulated depreciation	10b	51,680,743	54,811,788	10c	54,039,109
	11	Investments—publicly traded securities			93,648,690	11	101,188,116
	12	Investments—other securities. See Part IV, line 11			3,085,144	12	4,688,636
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets			619,820	14	565,861
	15	Other assets. See Part IV, line 11			1,354,313	15	1,510,414
	16	Total assets. Add lines 1 through 15 (must equal line 34)			169,631,399	16	181,017,131
Liabilities	17	Accounts payable and accrued expenses			12,430,100	17	12,148,605
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			20,409,894	20	18,469,057
	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 (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			1,800,941	25	1,968,492
	26	Total liabilities. Add lines 17 through 25			34,640,935	26	32,586,154
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets			132,155,320	27	145,492,341
	28	Temporarily restricted net assets			2,835,144	28	2,938,636
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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			134,990,464	33	148,430,977
	34	Total liabilities and net assets/fund balances			169,631,399	34	181,017,131

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	85,281,354
2	Total expenses (must equal Part IX, column (A), line 25)	2	69,594,300
3	Revenue less expenses Subtract line 2 from line 1	3	15,687,054
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	134,990,464
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,246,541
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	148,430,977

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 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	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	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 <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> 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?		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		

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

2011

Open to Public
Inspection

Name of the organization PRAIRIE LAKES HEALTH CARE SYSTEM INC	Employer identification number 46-0391067
--	--

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 **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 Se**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?

(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?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)

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

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

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I 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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
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 2011 (line 6 column (f) divided by line 11 column (f))

14

15 Public Support Percentage for 2010 Schedule A, Part II, line 14

15

16a 33 1/3% support test—2011. 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

16b 33 1/3% support test—2010. 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—2011. 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


17b 10%-facts-and-circumstances test—2010. 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 IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here 						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. 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—2010. 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 explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
Attach to Form 990. See separate instructions.

Name of the organization
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number
46-0391067

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?	
	<div>Yes</div> <div>No</div>	
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	
	<div>Yes</div> <div>No</div>	

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
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part 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				
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				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

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

(i)

unrelated organizations

3a(i)

☐ Yes

☐ No

(ii)

related organizations

3a(ii)

☐ Yes

☐ No

b

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

3b

☐ Yes

☐ No

4

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

Part VI

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,341,520		2,341,520
b Buildings		47,210,466	16,443,990	30,766,476
c Leasehold improvements		2,602,478	1,407,213	1,195,265
d Equipment		53,565,388	33,829,540	19,735,848
e Other				
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				54,039,109

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
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE INTERNAL REVENUE SERVICE (IRS) HAS DETERMINED THAT PRAIRIE LAKES AND HOME CONNECTIONS ARE TAX-EXEMPT, NOT-FOR-PROFIT CORPORATIONS UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE (IRC). THE HEALTH SYSTEM FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS. THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED. THE APPLICATION OF THIS STANDARD HAS NO IMPACT ON THE HEALTH SYSTEM'S FINANCIAL STATEMENTS. THE HEALTH SYSTEMS INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES. THE INFORMATION TAX RETURNS FOR THE YEARS ENDED 2009 TO 2011 ARE OPEN TO EXAMINATION BY FEDERAL, LOCAL, AND STATE AUTHORITIES.

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

2011

Open to Public Inspection

Name of the organization
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number
46-0391067

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input type="checkbox"/> 100%<input type="checkbox"/> 150%<input checked="" type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input checked="" type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did 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	3a	Yes	
4	Did the organization's policy provide 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 charity care 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 eligible for free or discounted care?	5c		No
6a	Did 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		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested 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 Charity care at cost (from Worksheet 1)			1,529,609		1,529,609	2 200 %
b Medicaid (from Worksheet 3, column a)			3,131,754	1,388,557	1,743,197	2 500 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			4,661,363	1,388,557	3,272,806	4 700 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			11,685,938	8,142,112	3,543,826	5 090 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			188,000		188,000	0 270 %
j Total Other Benefits			11,873,938	8,142,112	3,731,826	5 360 %
k Total. Add lines 7d and 7j			16,535,301	9,530,669	7,004,632	10 060 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(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
1Physical improvements and housing						
2Economic development						
3Community support			20,000		20,000	0.030 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total			20,000		20,000	0.030 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	3,484,501	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4Provide 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

5Enter total revenue received from Medicare (including DSH and IME)	5	27,106,826	
6Enter Medicare allowable costs of care relating to payments on line 5	6	23,363,613	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7	3,743,213	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

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

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Name and address

[illegible]

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)

PRAIRIE LAKES HEALTH CARE SYSTEM

Name of Hospital Facility:

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 2011)		
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 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
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? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> 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	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 200 000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

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 (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> 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? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> 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? If "Yes," explain in Part VI		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI		No

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 from largest to smallest)

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

Name and address		Type of Facility (Describe)
1	SISSETON SATELLITE DIALYSIS 5 EAST CHESTNUT SISSETON, SD 57262	DIALYSIS UNIT
2	BROOKINGS SATELLITE DIALYSIS 300 22ND AVENUE BROOKINGS, SD 57006	DIALYSIS UNIT
3	ORTONVILLE SATELLITE DIALYSIS 450 EASTVOLD AVENUE ORTONVILLE, MN 56278	DIALYSIS UNIT
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE COSTS ARE CALCULATED USING A COST TO CHARGE RATIO DERIVED FROM WORKSHEET 2 OF THE SCHEDULE H INSTRUCTIONS \$3,484,501 IN BAD DEBT EXPENSE WAS ELIMINATED WHEN CALCULATING PART I, LINE 7

Identifier	ReturnReference	Explanation
		PART II THE ORGANIZATION SUPPORTS COMMUNITY BUILDING ACTIVITIES THROUGH DONATIONS TO COMMUNITY PROJECTS SUCH AS THE WATERTOWN COMMUNITY FOUNDATION WHICH WORKS TO BRING NEW BUSINESSES TO WATERTOWN, JOY RANCH WHICH PROVIDES CAMP EXPERIENCE TO DISABLED CHILDREN, AND A CAPITAL BUILDING PROJECT FOR LAKE AREA TECHNICAL INSTITUTE

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT IS DETERMINED BY THE PERCENTAGE OF PRIVATE PAY ACCOUNTS THAT ARE HISTORICALLY WRITTEN OFF TO BAD DEBT THE FINANCIAL STATEMENTS DO NOT CONTAIN A FOOTNOTE PERTAINING TO BAD DEBT EXPENSE

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THERE WAS NO SHORTAGE CALCULATED

Identifier	ReturnReference	Explanation
		PART III, LINE 9B FINANCIAL ASSISTANCE/CHARITY CARE FORM IS SENT TO THE PATIENT FOR COMPLETION UPON RECEIPT BY THE FACILITY, THE FORM AND GUIDELINES ARE REVIEWED AND THE PATIENT IS NOTIFIED OF THE QUALIFICATION FOR FINANCIAL ASSISTANCE/CHARITY CARE THE PATIENT'S ACCOUNT (S) ARE THEN WRITTEN OFF

Identifier	ReturnReference	Explanation
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 9 DEPENDING ON THE ACCOUNT BALANCE, AMOUNT RANGES FROM 50% TO 200%

Identifier	ReturnReference	Explanation
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 10 DEPENDENT ON THE ACCOUNT BALANCE, AMOUNT RANGES FROM 50% TO 200%

Identifier	ReturnReference	Explanation
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 19D THE HOSPITAL USED THE CRITERIA SET FORTH IN ITS FINANCIAL ASSISTANCE POLICY TO DETERMINE THE LEVEL OF DISCOUNT FOR PATIENTS QUALIFYING FOR ASSISTANCE THE HOSPITAL IS CURRENTLY REVISING ITS PROCEDURE FOR CALCULATING DISCOUNTS CONSISTENT WITH THE REQUIREMENT OF THE AFFORDABLE CARE ACT

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE FACILITY CONDUCTS NEEDS ASSESSMENT SURVEYS IN THE COMMUNITY AND SURROUNDING AREA TO DETERMINE WHAT HEALTH CARE SERVICES NEED TO BE ADDRESSED

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 PRIVATE PAY INPATIENTS SPEAK WITH A SOCIAL WORKER TO DETERMINE IF THEY HAVE A NEED FOR FINANCIAL ASSISTANCE THE SOCIAL WORKER WILL GIVE THEM A NUMBER OF AVAILABLE OPTIONS FOR ASSISTANCE AFTER A PATIENT HAS RECEIVED STATEMENTS WITH THE PORTION THAT THEY ARE RESPONSIBLE FOR THEY ARE CONTACTED TO SEE IF THEY ARE IN NEED OF FINANCIAL ASSISTANCE AT THAT TIME THEY ARE INFORMED OF ALL OPTIONS AVAILABLE TO THEM

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 PRAIRIE LAKES HEALTH CARE SYSTEM'S PRIMARY SERVICE AREA COVERS 3 COUNTIES IN SOUTH DAKOTA WITH A POPULATION OF APPROXIMATELY 36,000 IT'S SECONDARY SERVICE AREA COVERS 4 COUNTIES IN SOUTH DAKOTA AND 3 COUNTIES IN MINNESOTA WITH A POPULATION OF 54,000

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE ORGANIZATION OFFERS FREE HEALTH SEMINARS TO COMMUNITY MEMBERS COVERING A VARIETY OF HEALTH TOPICS IN AN EFFORT TO EDUCATE PEOPLE ABOUT LEADING HEALTHY LIVES COMMUNITY FORUMS ARE HELD TO UPDATE ATTENDEES ABOUT NEW EVENTS AND TECHNOLOGY AT THE FACILITY THE ORGANIZATION WORKS WITH THE TECHNICAL INSTITUTE AND TWO STATE UNIVERSITIES TO HELP TRAIN MEDICAL STUDENTS THE ORGANIZATION IS DEDICATED TO IMPLEMENTING AND MAINTAINING THE MOST CURRENT TECHNOLOGY IN PROVIDING CARE

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number
46-0391067

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) WATERTOWN UNITED WAYPO BOX 283 WATERTOWN,SD 57201	46-0359557	501(C)(3)	30,000				GENERAL DONATION
(2) NATIONAL KIDNEY FOUNDATION1970 OAKCREST AVE STE 208 ST PAUL,MN 55113	13-1673104	501(C)(3)	11,275				BASH FUNDRAISING EVENT
(3) SANFORD CLINIC901 4TH ST NW WATERTOWN,SD 57201	46-0447693	501(C)(3)	10,000				GENERAL DONATION
(4) WATERTOWN SCHOOL DISTRICTPO BOX 730 WATERTOWN,SD 57201	46-6001273		5,000				GENERAL DONATION
(5) SD EMTA401 9TH AVE NW WATERTOWN,SD 57201	46-0350240	501(C)(3)	5,000				GENERAL DONATION
(6) WATERTOWN COMMUNITY FOUNDATION211 KEMP AVE E WATERTOWN,SD 57201	46-0350319	501(C)(3)	20,000				GENERAL DONATION
(7) WATERTOWN AREA TRANSIT205 1ST AVE NE WATERTOWN,SD 57201	41-1908759	501(C)(3)	5,500				GENERAL DONATION
(8) HUMAN SERVICE AGENCYPO BOX 1030 WATERTOWN,SD 57201	46-0275247	501(C)(3)	6,000				GENERAL DONATION

2

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

7

3

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

1

Part III

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

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

Part IV

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

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE GRANTS ARE APPROVED BY ADMINISTRATION AND GIVEN AS UNRESTRICTED DONATIONS THYE ARE NOT MONITORED ONCE GIVEN

Software ID:
Software Version:
EIN: 46-0391067
Name: PRAIRIE LAKES HEALTH CARE SYSTEM INC

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WATERTOWN UNITED WAYPO BOX 283 WATERTOWN, SD 57201	46-0359557	501(C)(3)	30,000				GENERAL DONATION
NATIONAL KIDNEY FOUNDATION1970 OAKCREST AVE STE 208 ST PAUL, MN 55113	13-1673104	501(C)(3)	11,275				BASH FUNDRAISING EVENT

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SANFORD CLINIC 901 4TH ST NW WATERTOWN, SD 57201	46- 0447693	501(C)(3)	10,000				GENERAL DONATION
WATERTOWN SCHOOL DISTRICT PO BOX 730 WATERTOWN, SD 57201	46- 6001273		5,000				GENERAL DONATION

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SD EMTA401 9TH AVE NW WATERTOWN, SD 57201	46-0350240	501(C)(3)	5,000				GENERAL DONATION
WATERTOWN COMMUNITY FOUNDATION211 KEMP AVE E WATERTOWN, SD 57201	46-0350319	501(C)(3)	20,000				GENERAL DONATION

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WATERTOWN AREA TRANSIT205 1ST AVE NE WATERTOWN, SD 57201	41-1908759	501(C)(3)	5,500				GENERAL DONATION
HUMAN SERVICE AGENCYPO BOX 1030 WATERTOWN, SD 57201	46-0275247	501(C)(3)	6,000				GENERAL DONATION

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

Name of the organization
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number
46-0391067

Part I

Questions Regarding Compensation

	Yes	No
<div>1a</div> <div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div> <div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div>		
<div>b</div> <div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain</div>	1b	
<div>2</div> <div>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?</div>	2	
<div>3</div> <div>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</div> <div><div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div>		
<div>4</div> <div>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</div>		
<div>a</div> <div>Receive a severance payment or change-of-control payment?</div>	4a	No
<div>b</div> <div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div>	4b	No
<div>c</div> <div>Participate in, or receive payment from, an equity-based compensation arrangement?</div>	4c	No
<div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		
<div></div> <div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div>		
<div>5</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	5a	No
<div>b</div> <div>Any related organization?</div>	5b	No
<div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		
<div>6</div> <div>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</div>		
<div>a</div> <div>The organization?</div>	6a	No
<div>b</div> <div>Any related organization?</div>	6b	No
<div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		
<div>7</div> <div>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</div>	7	No
<div>8</div> <div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III</div>	8	No
<div>9</div> <div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div>	9	

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

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) JILL FULLER	(i)	306,962	88,800	23,610	7,350	18,518	445,240	0
	(ii)	0	0	0	0	0	0	0
(2) MICHAEL ANDERSON	(i)	223,077	200,000	6,431	7,350	17,168	454,026	0
	(ii)	0	0	0	0	0	0	0
(3) TRACI RABINE	(i)	121,462	20,000	10,143	3,853	18,107	173,565	0
	(ii)	0	0	0	0	0	0	0
(4) MICHELE TURBAK	(i)	132,330	20,000	5,210	4,067	17,913	179,520	0
	(ii)	0	0	0	0	0	0	0
(5) EVELIO GARCIA MD	(i)	1,100,008	50,000	20,000	7,350	17,511	1,194,869	0
	(ii)	0	0	0	0	0	0	0
(6) SALEM MAALIKI MD	(i)	958,358	0	20,827	7,350	17,708	1,004,243	0
	(ii)	0	0	0	0	0	0	0
(7) SAIRAV SHAH MD	(i)	736,960	50,000	0	0	17,506	804,466	0
	(ii)	0	0	0	0	0	0	0
(8) BIPINKUMAR AMIN MD	(i)	550,000	70,500	0	4,442	17,168	642,110	0
	(ii)	0	0	0	0	0	0	0
(9) JEFFERY BRINDLE MD	(i)	470,456	0	18,393	7,350	19,359	515,558	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III **Supplemental Information**

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

Identifier	Return Reference	Explanation
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Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047		
											2011		
	Department of the Treasury Internal Revenue Service											Open to Public Inspection	
Name of the organization PRAIRIE LAKES HEALTH CARE SYSTEM INC										Employer identification number 46-0391067			

Part I Bond Issues											
(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY	46-0315509	83755VRN6	12-08-2010	21,672,812	CURRENT REFUNDING OF SERIES 1998 BONDS & ADVANCE REFUNDING OF SERIES 2002		X		X		X

Part II Proceeds									
		A		B		C		D	
1	Amount of bonds retired	7,526,290							
2	Amount of bonds defeased								
3	Total proceeds of issue	25,166,290							
4	Gross proceeds in reserve funds	3,303							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow	24,731,480							
7	Issuance costs from proceeds	431,508							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2010							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use									
		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III

Private Business Use (Continued)

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

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2	Is the bond issue a variable rate issue?		X						
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X						
6	Did the bond issue qualify for an exception to rebate?		X						

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☒ No

Part VI

Supplemental Information

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

Identifier	Return Reference	Explanation
SCHEDULE K, PART II, LINE 3		THE DIFFERENCE IN THE ISSUANCE PRICE INCLUDED IN PART I, LINE A, COLUMN E OF \$21,672,812 IS DIFFERENT THAN THE TOTAL PROCEEDS OF ISSUANCE INCLUDED IN PART II, LINE 3 OF \$25,166,290 BECAUSE OF THE TRUSTEE FUNDS UTILIZED DURING THE REFINANCING

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number

46-0391067

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

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

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

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ► \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ► \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c)Original principal amount	(d)Balance due	(e) In default?		(f) Approved by board or committee?		(g)Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1) EVELIO GARCIA MD SIGNING BONUS		X	140,000	21,033		No	Yes		Yes	
Total				21,033						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV

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

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

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

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

OMB No 1545-0047

2011

**Open to Public
Inspection**

Name of the organization PRAIRIE LAKES HEALTH CARE SYSTEM INC	Employer identification number 46-0391067
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	THE EXECUTIVE COMMITTEE SHALL BE COMPRISED OF THE OFFICERS OF THE CORPORATION EXCEPT AS MAY BE LIMITED BY THE BOARD, THE EXECUTIVE COMMITTEE SHALL HAVE AND EXERCISE THE AUTHORITY OF THE BOARD IN THE MANAGEMENT OF THE BUSINESS OF THE CORPORATION THE EXECUTIVE COMMITTEE SHALL ACT IN THE INTERVALS BETWEEN MEETINGS OF THE BOARD AND SHALL AT ALL TIMES BE SUBJECT TO THE CONTROL AND DIRECTION OF THE BOARD THE EXECUTIVE COMMITTEE SHALL ALSO SERVE AS THE CORPORATION'S COMPENSATION COMMITTEE, UNLESS IT OR THE BOARD DELEGATES THOSE RESPONSIBILITIES TO ANOTHER COMMITTEE OF THE BOARD THE EXECUTIVE COMMITTEE SHALL NOT USURP THE FUNCTIONS OF THE OTHER STANDING COMMITTEES, ALTHOUGH IT WILL COORDINATE PROJECTS, TASKS AND COMMUNICATIONS AMONG SUCH COMMITTEES A MAJORITY OF THE EXECUTIVE COMMITTEE SHALL CONSTITUTE A QUORUM FOR THE TRANSACTION OF ANY BUSINESS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE FINANCE COMMITTEE WILL REVIEW THE FORM 990 BEFORE IT IS FILED WITH THE IRS. THE FINANCE COMMITTEE WILL DETERMINE IF IT IS NECESSARY FOR THE BOARD TO REVIEW THE FORM 990.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	A CONFLICT OF INTEREST STATEMENT IS SIGNED BY ALL BOARD MEMBERS ON AN ANNUAL BASIS THAT STATEMENT DISCLOSES ANY AREAS THAT MAY HAVE A POTENTIAL FOR CONFLICT OF INTEREST WITH THEMSELVES OR FAMILY MEMBERS AT BOARD MEETINGS, THE MEMBERS WILL EXCUSE THEMSELVES FROM ANY DISCUSSION OR VOTING ON AN ISSUE WHERE A CONFLICT MAY EXIST

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION COMPARABILITY STUDIES ARE REVIEWED EACH YEAR FOR ALL POSITIONS. THE COMPENSATION STUDIES ARE CONDUCTED INTERNALLY BY THE HUMAN RESOURCES DEPARTMENT. THE HUMAN RESOURCES DEPARTMENT HAS ACCESS TO VARIOUS COMPENSATION SURVEYS WHICH THEY REVIEW IN ORDER TO DETERMINE IF THE HOSPITAL'S COMPENSATION IS REASONABLE COMPARED TO OTHER FACILITIES. THE LAST COMPENSATION STUDY WAS PERFORMED IN 2012. THE BOARD APPROVES SALARY OF THE CEO THROUGH ITS EXECUTIVE COMMITTEE SERVING AS THE COMPENSATION COMMITTEE. THE BOARD DELEGATES VICE PRESIDENT EXECUTIVE COMPENSATION APPROVAL TO CEO BASED ON THE ORGANIZATION'S COMPENSATION PHILOSOPHY IN CONJUNCTION WITH MARKET BENCHMARKS. THE EXECUTIVE COMMITTEE REVIEWS AND APPROVES THE SALARIES OF OTHER KEY EMPLOYEES.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	FINANCIAL STATEMENTS ARE AVAILABLE THROUGH FILINGS WITH BONDING AUTHORITY THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC

Identifier	Return Reference	Explanation
BOARD OVERLAP	PART VII, SECTION A	LUANN STRAIT, BOARD MEMBER, SERVES AS A BOARD MEMBER FOR THE REPORTING ORGANIZATION AND THE RELATED ORGANIZATION, PRAIRIE LAKES HEALTHCARE FOUNDATION, AS INDICATED IN SCHEDULE R, PART II ON AVERAGE, SHE SPENDS APPROXIMATELY 1 HOUR PER WEEK IN TOTAL FOR SERVICES PERFORMED ON BEHALF OF THIS ORGANIZATION JILL FULLER, CHIEF EXECUTIVE OFFICER, SERVES AS AN EXECUTIVE OFFICIAL FOR THE RELATED ORGANIZATION, PRAIRIE LAKES HEALTHCARE FOUNDATION, AS INDICATED IN SCHEDULE R, PART II ON AVERAGE, SHE SPENDS APPROXIMATELY 1 HOUR PER WEEK IN TOTAL FOR SERVICES PERFORMED ON BEHALF OF THIS ORGANIZATION

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -2,350,033 CHANGE IN BENEFICIAL INTEREST IN PRAIRIE LAKES FOUNDATION 103,492 TOTAL TO FORM 990, PART XI, LINE 5 -2,246,541

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

2011

Open to Public Inspection

Name of the organization
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number
46-0391067

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) PRAIRIE LAKES HOME CONNECTIONS INC 401 9TH AVE NW WATERTOWN, SD 57201 46-0394984	HOMEMAKER & NURSING SERVICES	SD	501(C)(3)	9	N/A		No
(2) PRAIRIE LAKES FOUNDATION INC 401 9TH AVE NW WATERTOWN, SD 57201 46-0350240	PROMOTES HEALTH EDUCATION AND GENERAL HEALTH AND WELL-BEING OF THE PUBLIC	SD	501(C)(3)	7	N/A		No

Part III

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

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

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

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

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

j

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

k

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

l

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

m

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

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

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

r

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

Yes

No

No

No

No

No

No

No

No

No

No

No

No

No

No

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)			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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

[illegible]

Part VII

Supplemental Information

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

Identifier	Return Reference	Explanation	
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**PRAIRIE LAKES HEALTH CARE SYSTEM, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2012 AND 2011

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
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YEARS ENDED MAY 31, 2012 AND 2011**

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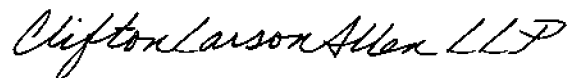
INDEPENDENT AUDITORS' REPORT

Board of Directors
Prairie Lakes Health Care System, Inc. and Affiliate
Watertown, South Dakota

We have audited the accompanying consolidated statements of financial position of Prairie Lakes Health Care System, Inc. and Affiliate (Prairie Lakes) as of May 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Prairie Lakes' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Prairie Lakes Health Care System, Inc. and Affiliate as of May 31, 2012 and 2011, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 22, 2012

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,702,093	\$ 6,323,046
Accounts Receivable, Patients and Residents, Net of Allowances for Doubtful Accounts of \$5,804,297 in 2012 and \$4,719,195 in 2011	7,466,057	6,994,797
Inventories	1,633,591	1,645,996
Prepaid Expenses and Other	2,223,254	1,147,805
Funds Held by Trustee under Debt Agreement	457,738	459,437
Total Current Assets	<u>19,482,733</u>	<u>16,571,081</u>
FUNDS DESIGNATED BY BOARD FOR FUTURE PLANT REPLACEMENT AND EXPANSION	73,562,578	67,989,892
FUNDS DESIGNATED BY BOARD FOR COMMUNITY BENEFIT	1,500,000	-
INVESTMENTS	27,313,457	25,316,429
BENEFICIAL INTEREST IN NET ASSETS OF PRAIRIE LAKES HEALTH CARE FOUNDATION	2,938,636	2,835,144
PROPERTY, PLANT AND EQUIPMENT, NET	54,039,109	54,811,788
OTHER ASSETS	<u>2,180,618</u>	<u>2,107,065</u>
Total Assets	<u><u>\$ 181,017,131</u></u>	<u><u>\$ 169,631,399</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,895,000	\$ 1,835,000
Accounts Payable, Trade	2,306,715	2,142,236
Construction Payable	-	286,579
Accrued Salaries and Employee Benefits	4,187,317	5,327,430
Accrued Interest	135,551	144,600
Estimated Third-Party Payor Settlements Payable	5,469,022	4,429,255
Total Current Liabilities	<u>13,993,605</u>	<u>14,165,100</u>
OTHER LIABILITIES	2,018,492	1,900,941
LONG-TERM DEBT, Net of Current Maturities	<u>16,574,057</u>	<u>18,574,894</u>
Total Liabilities	32,586,154	34,640,935
CONTINGENCIES		
NET ASSETS		
Unrestricted	145,492,341	132,155,320
Temporarily Restricted	2,938,636	2,835,144
Total Net Assets	<u>148,430,977</u>	<u>134,990,464</u>
Total Liabilities and Net Assets	<u><u>\$ 181,017,131</u></u>	<u><u>\$ 169,631,399</u></u>

See accompanying Notes to Consolidated Financial Statements

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MAY 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
REVENUE		
Net Patient Service Revenue	\$ 78,930,177	\$ 77,363,637
Other Revenue	2,119,120	1,262,663
Total Revenue	<u>81,049,297</u>	<u>78,626,300</u>
EXPENSES		
Salaries and Benefits	33,395,025	33,571,146
Supplies and Other	27,200,266	28,853,243
Depreciation and Amortization	4,705,492	4,634,349
Interest	809,016	1,084,716
Provision for Bad Debts	3,484,501	2,508,573
Total Expenses	<u>69,594,300</u>	<u>70,652,027</u>
INCOME FROM OPERATIONS	11,454,997	7,974,273
NONOPERATING GAINS (LOSSES)		
Investment Income	1,656,580	10,169,135
Other	35,144	125,252
Loss on Bond Refinancing	-	(2,046,562)
Total Nonoperating Gains	<u>1,691,724</u>	<u>8,247,825</u>
EXCESS OF REVENUE OVER EXPENSES	<u><u>\$ 13,146,721</u></u>	<u><u>\$ 16,222,098</u></u>

See accompanying Notes to Consolidated Financial Statements

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MAY 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
UNRESTRICTED NET ASSETS		
Excess of Revenue over Expenses	\$ 13,146,721	\$ 16,222,098
Capital Grants and Contributions	190,300	-
Total Change in Unrestricted Net Assets	<u>13,337,021</u>	<u>16,222,098</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Change in Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	<u>103,492</u>	<u>200,322</u>
INCREASE IN NET ASSETS	13,440,513	16,422,420
Net Assets - Beginning of Year	<u>134,990,464</u>	<u>118,568,044</u>
NET ASSETS - END OF YEAR	<u><u>\$ 148,430,977</u></u>	<u><u>\$ 134,990,464</u></u>

See accompanying Notes to Consolidated Financial Statements

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 13,440,513	\$ 16,422,420
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Change in Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	(103,492)	(200,322)
Capital Grants and Contributions	(190,300)	-
Depreciation and Amortization	4,705,492	4,634,349
Provision for Bad Debts	3,484,501	2,508,573
Net Gain on Investments	(1,656,580)	(10,169,135)
(Gain) Loss on Disposal of Property	(5,564)	4,107
Loss on Bond Refinancing	-	2,046,562
(Increase) Decrease in Assets		
Accounts Receivables	(3,955,761)	(1,520,305)
Inventories, Prepaid Expenses and Other	(1,146,304)	(783,073)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(984,683)	695,192
Estimated Third-Party Payor Settlements Payable	1,039,767	287,760
Other Liabilities	117,551	440,740
Net Cash Provided by Operating Activities	<u>14,745,140</u>	<u>14,366,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Short-Term Investments, Funds Held by Trustee, Funds Designated by Board, and Investments	(28,244,725)	(29,218,888)
Proceeds from Sale of Short-Term Investments, Funds Held by Trustee, Funds Designated by Board, and Investments	20,833,290	23,248,574
Purchases of Property, Plant and Equipment	(4,309,958)	(5,731,846)
Net Cash Used by Investing Activities	<u>(11,721,393)</u>	<u>(11,702,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(1,835,000)	(1,210,000)
Capital Grants and Contributions	190,300	-
Proceeds from Bond Issuance	-	21,672,812
Principal Refinanced on Bond Obligations	-	(22,990,000)
Cash Paid for Bond Issuance Costs	-	(409,272)
Net Cash Used by Financing Activities	<u>(1,644,700)</u>	<u>(2,936,460)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,379,047	(271,752)
Cash and Cash Equivalents- Beginning of Year	<u>6,323,046</u>	<u>6,594,798</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,702,093</u></u>	<u><u>\$ 6,323,046</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Additions to Net Property and Equipment Funded through Construction Payable	<u>\$ -</u>	<u>\$ 286,579</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u><u>\$ 818,065</u></u>	<u><u>\$ 1,016,754</u></u>

See accompanying Notes to Consolidated Financial Statements

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The purpose of Prairie Lakes Health Care System, Inc. and Affiliate (the Health System or Prairie Lakes) is to own and operate a unified hospital/health care system to provide a comprehensive range of health care services, both acute and nonacute, to the citizens of Watertown, South Dakota and the surrounding region. The consolidated financial statements include the operating activities and results of Prairie Lakes Health Care System, Inc. and Prairie Lakes Home Connections, Inc. (Home Connections). Home Connections provides home care and hospice services to the citizens of Watertown, South Dakota and the surrounding region and is wholly owned by Prairie Lakes Health Care System, Inc.

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting. All significant intercompany accounts and transactions are eliminated in consolidation.

Tax Status

The Internal Revenue Service (IRS) has determined that Prairie Lakes and Home Connections are tax-exempt, not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Health System follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Health System's financial statements.

The Health System's income tax returns are subject to review and examination by federal, state, and local authorities. The information tax returns for the years ended 2009 to 2011 are open to examination by federal, local, and state authorities.

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, such as contractual allowances, allowances for doubtful accounts receivable, contractual settlements, and estimated incurred but not reported health claims, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Impairment of Long-Lived Assets

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying value, an impairment loss would be recognized. There were no impairments recorded in 2012 or 2011.

Cash and Cash Equivalents

Prairie Lakes considers all unrestricted and undesignated, highly liquid investments with an original maturity of three months or less and fixed income investments that have no early withdrawal penalties to be cash equivalents. Cash equivalents are carried at cost which approximates fair value. Cash and cash equivalents held for long-term or restricted use are classified as investments.

Inventories

Inventories are stated at cost (principally on the first-in, first-out basis) not in excess of market value.

Prepaid Expenses and Other

Included in the prepaid expenses and other current assets are doctor and employee accounts receivable, an electronic health record incentive receivable (Note 6) and other miscellaneous receivables totaling \$1,788,847 and \$739,714 at May 31, 2012 and 2011, respectively.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statement of financial position. Prairie Lakes has classified their investments as trading securities and accordingly has included realized and unrealized gains and losses on investments in the excess of revenues over expenses.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, if purchased, or at fair market value on the date received, if donated, less accumulated depreciation. Major renewals and improvements are capitalized to the property accounts and depreciated accordingly. Replacements, maintenance and repairs that do not improve or extend the lives of the assets are expensed currently. Depreciation on purchased or donated property is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	20 to 40 Years
Land Improvements	5 to 20 Years
Fixed Equipment	5 to 25 Years
Movable Equipment	3 to 15 Years

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Other Assets

Other assets include deferred financing costs incurred in connection with the issuance of the Series 2010 bond issuance (see Note 4), which are amortized on a straight-line basis over the life of the related debt. Deferred financing costs of \$409,272 at May 31, 2012 and 2011, are presented net of accumulated amortization of \$62,676 and \$18,374 as of May 31, 2012 and 2011, respectively.

Also included within other assets is goodwill from the purchase of Mallard Pointe (a local surgical center) during 2005, with an original cost of \$291,208. At May 31, 2012 and 2011, the ending value of goodwill was \$219,215 and \$228,922, respectively. As of May 31, 2012 and 2011, management has determined that goodwill is not impaired.

Other assets also include investments in VHA for \$200,000 and Upper Midwest Consolidated Services Center for \$50,000, carried at cost as Prairie Lakes holds less than 20% of these equities and does not have significant influence.

Funds Held by Trustee under Debt Agreement

The debt agreement (Note 4) requires that certain funds be held by the trustee during the term of the bond issue. Prairie Lakes is required to make periodic deposits to funds maintained by the trustee for payment of bond interest and principal.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Charity Care

Prairie Lakes provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Prairie Lakes does not pursue collection of amounts determined to qualify as charity care, the amounts are not reported as revenue.

Electronic Health Record Incentive Payments

As discussed in Note 6, Prairie Lakes has recorded a receivable for funds under the Electronic Health Records (EHR) Incentive Program during the year ended May 31, 2012. Prairie Lakes recognizes revenue at the completion of the EHR reporting period when all meaningful use objectives and any other specific grant requirements that are applicable are met, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Employee Health Insurance

Prairie Lakes maintains a self-insured employee health benefit program. Stop-loss has been purchased for individual losses in excess of \$70,000 at May 31, 2012 and 2011, through an insurance company. Estimated unprocessed claims and claims incurred but not reported at May 31, 2012 and 2011 were approximately \$1,570,000 and \$1,565,000, respectively, and are included as accrued salaries and employee benefits in the consolidated statements of financial position.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated at cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted revenue in the statements of operations.

Capital Grants and Contributions

Grants and contributions received that are restricted specifically for capital acquisitions are reported on the statements of operations after excess of revenues over expenses as a direct increase to unrestricted net assets.

Statements of Operations

Prairie Lakes' operating income includes all unrestricted revenue and expenses, including investment income on debt service trust investments. Nonoperating gains and losses include unrestricted and board-designated investment return, gains on other investments, loss on bond refinancing, and unrestricted contributions.

Derivative Instruments and Hedging Activities

All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales.

Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation

Prairie Lakes and Prairie Lakes Health Care Foundation (Foundation) are financially interrelated organizations. Accordingly, Prairie Lakes is required to recognize its interest in the net assets of the Foundation and adjust that interest for its share of the change in net assets of the Foundation. The IRS has determined that the Foundation is a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the IRC and qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization that is not a private foundation under Section 509(a)(1).

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation (Continued)

Prairie Lakes periodically requests funds from the Foundation for capital or other needs. Such requests are received by the Foundation and, if approved, funds are transferred to Prairie Lakes. Such transfers of funds are reported in the consolidated financial statements as contributions from the Foundation. Prairie Lakes' beneficial interest in the unrestricted and temporarily restricted net assets of the Foundation and its share of the change in those net assets are reported in the consolidated financial statements in temporarily restricted net assets.

Subsequent Events

In preparing the consolidated financial statement, the Health System has considered events and transactions that have occurred through August 22, 2012, the date in which the consolidated financial statements were available to be issued.

Fair Value of Financial Instruments

The Health System adopted accounting standards regarding the fair value measurement of financial assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Health System emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value of Financial Instruments (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 2 to the consolidated financial statements for the fair market value disclosures of the Health System's financial instruments as of May 31, 2012 and 2011.

Trading Securities Trading securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs consist of the beneficial interest in net assets of Prairie Lakes Health Care Foundation. The Health System does not have any securities that are valued using Level 3 inputs.

Additionally, from time to time, the Health System may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the overall net assets of the Health System.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 2 INVESTMENTS

Investments, funds designated by the board of directors (Board) for future plant replacement and expansion, funds designated by the board of directors for community benefit, and funds held by the trustee under debt agreement are stated at fair value, which is based upon the quoted market prices at the reporting date

A summary of investments by type at May 31, 2012 and 2011 is as follows

	<u>2012</u>	<u>2011</u>
Funds Designated by Board for Future Plant Replacement and Expansion		
Money Market Funds	\$ 8,595,915	\$ 16,460,052
Bonds - Government	2,138,053	1,598,411
Bonds - Corporate	11,091,563	12,597,013
Preferred Stocks	3,334,823	1,488,553
Equities	48,269,484	35,734,226
Accrued Interest	<u>132,740</u>	<u>111,637</u>
Total Funds Designated by Board for Future Plant Replacement and Expansion	73,562,578	67,989,892
Funds Designated by Board for Community Benefit		
Cash and Cash Equivalents	1,500,000	-
Investments		
Money Market Funds	745,171	2,974,333
Bonds - Corporate	2,214,498	2,675,248
Preferred Stocks	2,959,574	3,457,014
Equities	21,387,370	16,204,403
Accrued Interest	<u>6,844</u>	<u>5,431</u>
Total Investments	27,313,457	25,316,429
Funds Held by Trustee under Debt Agreement		
Money Market Funds	1,318	5,097
Bonds - Government	<u>456,420</u>	<u>454,340</u>
Total Funds Held by Trustee under Debt Agreement	457,738	459,437
Total Investments	<u>\$ 102,833,773</u>	<u>\$ 93,765,758</u>

The debt agreement (see Note 4) requires that certain funds be held by the trustee during the term of the bond issue for debt service reserve and current principal and interest payments. Prairie Lakes is required to make monthly deposits to funds maintained by the trustee for payment of bond interest and principal. Amounts maintained within this fund and available to meet current liabilities are classified as current assets.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 2 INVESTMENTS (CONTINUED)

Total investment return, all related to unrestricted net assets, net of fees paid of \$151,092 and \$132,357 for the years ended May 31, 2012 and 2011, respectively, consisted of the following

	<u>2012</u>	<u>2011</u>
<u>Other Revenue</u>		
Dividends and Interest Earned on Funds Held by Trustee	\$ 1,114	\$ 32,165
<u>Non-Operating Gains</u>		
Other Dividends and Interest Earnings	267,231	313,102
Net Realized Gains on Investments	3,739,382	2,941,938
Net Unrealized Gains (Losses) on Investments	(2,350,033)	6,914,095
Total Non-Operating Gains	<u>1,656,580</u>	<u>10,169,135</u>
Total Investment Return	<u>\$ 1,657,694</u>	<u>\$ 10,201,300</u>

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment and the related accumulated depreciation at May 31, 2012 and 2011 is as follows

	<u>2012</u>	<u>2011</u>
Land and Improvements	\$ 7,723,216	\$ 7,661,558
Buildings and Fixed Equipment	73,159,123	70,355,741
Movable Equipment	24,837,513	24,550,430
Construction-in-Progress	-	436,924
Total Property, Plant and Equipment	<u>105,719,852</u>	<u>103,004,653</u>
Less Accumulated Depreciation	<u>51,680,743</u>	<u>48,192,865</u>
Property, Plant and Equipment, Net	<u>\$ 54,039,109</u>	<u>\$ 54,811,788</u>

Construction-in-Progress

At May 31, 2011, construction-in-progress included costs incurred for various facility and equipment upgrades

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 4 LONG-TERM DEBT

Long-term debt at May 31, 2012 and 2011, consisted of the following

<u>Description</u>	<u>2012</u>	<u>2011</u>
South Dakota Health and Education Facilities Authority Revenue Refunding Bonds, Series 2010 (Prairie Lakes Health Care System Issue), interest from 3.0% to 5.0%, due through 2020, secured by mortgage on the hospital facility and security interest in certain equipment, contract rights, and general intangibles of Prairie Lakes	\$ 17,640,000	\$ 19,475,000
Series 2010 Unamortized Premium	829,057	934,894
Total	18,469,057	20,409,894
Less Current Maturities	1,895,000	1,835,000
Long-Term Debt	<u>\$ 16,574,057</u>	<u>\$ 18,574,894</u>

Refinancing Transaction

During the year ended May 31, 2011, Prairie Lakes refinanced Series 1998 and 2002 bonds with the proceeds from the issuance of Series 2010 bonds and trustee funds. The refinancing transaction resulted in a loss of \$2,046,562 included in the consolidated statements of operations for the year ended May 31, 2011.

Restrictive Covenants

Under the Series 2010 bonds, Prairie Lakes must meet certain operational and performance covenants and is limited in the amount of additional debt which can be incurred. Management believes Prairie Lakes was in compliance with all debt covenants as of May 31, 2012 and 2011.

Maturities of the Prairie Lakes' long-term debt at May 31, 2012 are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2013	\$ 1,895,000
2014	1,950,000
2015	2,030,000
2016	2,130,000
2017	2,235,000
Thereafter	7,400,000
Total	<u>\$ 17,640,000</u>

Prairie Lakes incurred \$809,016 and \$1,084,716 of interest expense during the years ended May 31, 2012 and 2011, respectively, of which no amounts were capitalized.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 5 NET PATIENT SERVICE REVENUE

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

Medicare

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. Inpatient non-acute services and certain outpatient services related to Medicare beneficiaries were paid based upon a cost reimbursement methodology. The Health System was reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare fiscal intermediary. The Health System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review Health System under contract with the Health System. Most outpatient services are paid to Medicare program beneficiaries under an outpatient prospective payment system, with predetermined rates based on a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a reimbursement methodology similar to inpatient Medicare. Outpatient Medicaid services are reimbursed under the lower of usual or customary charge fee structure.

Net revenue from the Medicare and Medicaid programs accounted for approximately 53% and 5%, respectively, of the Health System's net patient revenue for the year ended 2012, and 55% and 4%, respectively, of the Health System's net patient revenue, for the year ended 2011. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 5 NET PATIENT SERVICE REVENUE (CONTINUED)

Gross patient service revenue at established rates less third-party payor contractual adjustments for the years ended May 31, 2012 and 2011 consisted of the following

	2012	2011
Hospital Inpatient	\$ 51,681,950	\$ 50,710,821
Hospital Outpatient	72,245,264	67,954,766
Extended Care	9,359,829	8,590,269
Clinics	5,796,962	5,009,541
	<u>139,084,005</u>	<u>132,265,397</u>
Less Allowance for Contractual Adjustments	60,153,828	54,901,760
Net Patient Service Revenue	<u>\$ 78,930,177</u>	<u>\$ 77,363,637</u>

NOTE 6 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Health System continuing to meet the escalating meaningful use criteria. For the first payment year, the Health System must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period.

For the subsequent payment year, the Health System must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four year period. For hospitals that do not start receiving meaningful use payments until federal fiscal year 2014 or 2015, the base payment amount will reduce in subsequent years by $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$.

The Health System demonstrated meaningful use to the 90-day period ended April 14, 2012. As of May 31, 2012, the Health System has recorded a receivable from Medicare for approximately \$1,550,000. The receivable is included in prepaid expenses and other on the consolidated statements of financial position. No incentive payments have been received as of May 31, 2012. The amount receivable is recognized as other operating revenues in the consolidated statements of operations for the year ended May 31, 2012. The Health System recognizes revenue using the grant accounting model. The final amount of these payments will be determined based on information from the Health System's Medicare cost report for the year ending May 31, 2012. Events could occur that would cause the final payments to differ materially upon final settlement.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 7 RETIREMENT PLANS

Pension Plan

Prairie Lakes has a defined contribution retirement plan covering substantially all employees. Prairie Lakes matches 100% of the employees' contributions up to 3% of their salary and contributions are made biweekly into the plan. For fiscal 2012 and 2011, pension expense was \$559,972 and \$467,007, respectively, and is included in salaries and benefits expense on the consolidated statements of operations.

Deferred Compensation Plan

Prairie Lakes offers a select group of management or highly compensated employees a 457(b) deferred compensation plan created in accordance with applicable provisions of the IRC. The plan permits employees to defer a portion of their salary until future years. The accumulated deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property of Prairie Lakes, and Prairie Lakes has all the related rights of ownership (not restricted to the payment of benefits under the plan), subject only to the claim of Prairie Lakes' general creditors. Participants' rights under the plan are equal to those of general creditors of Prairie Lakes in an amount equal to the fair market value of the deferred account for each participant. The plan is fully funded and the related assets and liabilities are reported at fair market value within other assets and other liabilities on the consolidated statements of financial position.

NOTE 8 COMMUNITY BENEFIT AND CHARITY CARE

Prairie Lakes provides a wide range of benefits to the community, including offering various community health education programs, health screening and promotion services, counseling and referral services, and hospice.

Prairie Lakes also provides medical care without charge or at a reduced charge to the residents of the community it serves. In October 2005, the Charity Care policy was modified by allowing for more residents to qualify for charity benefits. The revised policy increased eligibility for charity benefits by changing the patient income threshold to 200% of the Federal Poverty Guidelines. In addition, the eligibility formula now excludes some assets and limits the percent of income used in the calculation. The level of charity care provided, as defined by services rendered without charge or at a reduced charge was approximately \$3,227,000 and \$2,484,000 for the years ended May 31, 2012 and 2011, respectively. The cost related to these services was approximately \$1,534,000 and \$1,217,000 for the years ended May 31, 2012 and 2011, respectively. The cost of charity care is estimated using the Health System's overall cost to charge ratios.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 9 CONCENTRATIONS OF CREDIT RISKS

Prairie Lakes grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patient and third-party payors at May 31, 2012 and 2011, was as follows:

	2012	2011
Medicare	28.7 %	32.5 %
Private Pay	30.3	24.2
Commercial	27.4	25.5
Medicaid	3.0	3.1
Blue Cross	10.6	14.7
Total	<u>100.0 %</u>	<u>100.0 %</u>

NOTE 10 FUNCTIONAL EXPENSES

Prairie Lakes provides general health care services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations for the years ended May 31, 2012 and 2011, are as follows:

	2012	2011
Health Care Services	\$ 61,141,387	\$ 62,311,324
General and Administrative	8,452,913	8,340,703
Total Expenses	<u>\$ 69,594,300</u>	<u>\$ 70,652,027</u>

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Health System uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Health System measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Health System measured at fair value on a recurring basis as of May 31, 2012 and 2011.

2012	Level 1	Level 2	Level 3	Total
Funds Designated by Board for Future Plant Replacement and Expansion				
Bonds - Government	\$ 2,138,053	\$ -	\$ -	\$ 2,138,053
Bonds - Corporate	10,801,563	290,000	-	11,091,563
Preferred Stocks	3,334,823	-	-	3,334,823
Equity Stocks	48,269,484	-	-	48,269,484
	<u>64,543,923</u>	<u>290,000</u>	<u>-</u>	<u>64,833,923</u>
Investments				
Bonds - Corporate	2,214,498	-	-	2,214,498
Preferred Stocks	2,959,574	-	-	2,959,574
Equity Stocks	21,387,370	-	-	21,387,370
	<u>26,561,442</u>	<u>-</u>	<u>-</u>	<u>26,561,442</u>
Funds Held by Trustee under Debt Agreement				
Bonds - Government	456,420	-	-	456,420
Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation				
Bonds - Corporate	-	742,194	-	742,194
Preferred Stocks	-	435,204	-	435,204
Equity Stocks	-	1,237,587	-	1,237,587
	<u>-</u>	<u>2,414,985</u>	<u>-</u>	<u>2,414,985</u>
	<u>\$ 91,561,785</u>	<u>\$ 2,704,985</u>	<u>\$ -</u>	<u>\$ 94,266,770</u>

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

2011	Level 1	Level 2	Level 3	Total
Funds Designated by Board for Future Plant Replacement and Expansion				
Bonds - Government	\$ 1,598,411	\$ -	\$ -	\$ 1,598,411
Bonds - Corporate	12,597,013	-	-	12,597,013
Preferred Stocks	1,488,553	-	-	1,488,553
Equity Stocks	35,734,226	-	-	35,734,226
	<u>51,418,203</u>	<u>-</u>	<u>-</u>	<u>51,418,203</u>
Investments				
Bonds - Corporate	2,675,248	-	-	2,675,248
Preferred Stocks	3,457,014	-	-	3,457,014
Equity Stocks	16,204,403	-	-	16,204,403
	<u>22,336,665</u>	<u>-</u>	<u>-</u>	<u>22,336,665</u>
Funds Held by Trustee under Debt Agreement				
Bonds - Government	454,340	-	-	454,340
Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation				
Bonds - Corporate	-	749,394	-	749,394
Preferred Stocks	-	145,606	-	145,606
Equity Stocks	-	928,530	-	928,530
	<u>-</u>	<u>1,823,530</u>	<u>-</u>	<u>1,823,530</u>
	<u>\$ 74,209,208</u>	<u>\$ 1,823,530</u>	<u>\$ -</u>	<u>\$ 76,032,738</u>

The following is a summary of financial instruments for which the Health System did not elect the fair value option. The fair values of such instrument have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Health System.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following disclosures represent financial instruments in which the ending balances at May 31, 2012 and 2011, are not carried at fair value in their entirety on the balance sheet

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Refunding Revenue Bonds	<u>\$ 17,640,000</u>	<u>\$ 19,567,000</u>	<u>\$ 19,475,000</u>	<u>\$ 21,858,000</u>

The fair value of Prairie Lakes' refunding revenue bonds are estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to Prairie Lakes for debt of the same remaining maturities, as advised by investment bankers

NOTE 12 COMMITMENTS AND CONTINGENCIES

Litigation

Prairie Lakes is a defendant in legal proceedings arising in the ordinary course of business. Although the outcome of these proceedings cannot presently be determined, in the opinion of management, disposition of these proceedings will not have a material adverse effect on the financial position or results of operations of Prairie Lakes.

Operating Leases

Prairie Lakes leases certain equipment under noncancelable operating lease agreements. Rent expense, including operating expenses, under both cancelable and noncancelable operating leases was \$163,411 and \$169,725 for fiscal 2012 and 2011, respectively.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Healthcare Legislation and Regulation (Continued)

Management believes that the Health System is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Malpractice Insurance

The Health System has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim, an annual aggregate limit of \$3 million, with umbrella coverage up to \$5 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Coverage under the current policy extends to April 2013.