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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 07-01-2011 and ending 06-30-2012

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

C Name of organization
Avera Queen of Peace Hospital

Doing Business As
Avera Queen of Peace Health Service

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

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

D Employer identification number
46-0224604

E Telephone number
(605) 995-2251

G Gross receipts $ 93,753,224

F Name and address of principal officer
Thomas A Clark
525 North Foster Street
Mitchell, SD 57301

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ www averaqueenofpeace org

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

L Year of formation 1905

M State of legal domicile SD

Part I Summary

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

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	14
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	959
6	Total number of volunteers (estimate if necessary)	**6**	120
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	0
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	1,259,988	299,594
	9 Program service revenue (Part VIII, line 2g)	82,985,131	91,771,776
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,329,553	1,356,570
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-82,807	-185,416
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	85,491,865	93,242,524
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	163,174	205,016
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	47,230,003	52,453,229
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶139,704		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	32,188,106	35,084,825
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	79,581,283	87,743,070
	19 Revenue less expenses Subtract line 18 from line 12	5,910,582	5,499,454

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	105,824,301	111,663,788
	21 Total liabilities (Part X, line 26)	32,789,972	35,720,424
	22 Net assets or fund balances Subtract line 21 from line 20	73,034,329	75,943,364

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

****** 2013-05-10
Signature of officer Date

William E Flett Sec/Treas & VP of Finance
Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed	Preparer's taxpayer identification number (see instructions)
Kim Hunwardsen CPA	2013-05-13	☐	P00484560

Firm's name (or yours if self-employed), address, and ZIP + 4: Eide Bailly LLP, 800 Nicollet Mall Ste 1300, Minneapolis, MN 554027033

EIN ▶ 45-0250958

Phone no ▶ (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☑ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

4 Describe the 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

4a (Code) (Expenses $ 71,069,712 including grants of $ 205,016) (Revenue $ 91,771,776)

Avera Queen of Peace's mission is to provide healthcare services to Mitchell, SD residents and surrounding area They provide acute care and long-term healthcare services, of which there were 8,381 acute patient days, 2,503 swing-bed patient days, 1,190 nursery patient days, and 39,970 nursing home resident days The breakout of these statistics per facility is as follows Avera Queen of Peace Hospital7,861 Acute patient days1,657 Swing-bed patient days1,190 Newborn patient daysAvera Brady Health and Rehabilitation29,123 Long-term care resident days8,913 Assisted living days1,934 Independent living daysAvera Weskota Memorial Medical Center (CAH)382 Acute patient days537 Swing-bed patient daysAvera De Smet Memorial Hospital (CAH)138 Acute patient days309 Swing-bed patient days Avera Queen of Peace maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics The amount of charges foregone, based on established rates, were $2,102,462 Avera Queen of Peace also provides community benefit health activities at less than or at no cost to support those in the area serviced These activities include community education programs, special programs for the elderly, handicapped, and medically underserved, and a variety of broad community support activities During the year ended June 30, 2012, specific activities include meals delivered to residential homes, meeting facilities, programs for patients and families suffering from cancer, diabetes, breathing disorders, and others, assistance to health educators, emergency healthcare providers, wellness programs, and overnight housing for families of hospitalized patients As a member of the Avera Health network, Avera Queen of Peace upholds the vision of the Presentation and Benedictine Sisters to work through collaboration to provide a quality, effective health ministry and to improve the health care of individuals and our communities through a regionally integrated network of persons and institutions Avera Queen of Peace engages in activities designed to improve the health of individuals and communities in response to a calling to heal the sick, the elderly, and the oppressed

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

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

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 71,069,712

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		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*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9	Yes	
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a	Yes	
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	**1a**	165		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	**1b**	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			**1c**	Yes	
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	**2a**	959			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			**2b**	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			**3a**		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			**3b**		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account 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	18		
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	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .		5		No
6	Did the organization have members or stockholders?		6	Yes	
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	Yes	
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	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

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

			Yes	No
10a	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	Yes	
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? *If "No," go to line 13*	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		No
b	Other officers or key employees of the organization	15b		No
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," 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

☐ Own website ☐ Another's website ☑ 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 ▶

Will Flett
525 North Foster
Mitchell, SD 57301
(605) 995-2251

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

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

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

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

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, 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) Roger Musick Chairperson	2 50	X		X				0	0	0
(2) Lori Essig Vice Chair	2 50	X		X				0	0	0
(3) Loren Noess Board Member	2 50	X						0	0	0
(4) Charles Bergeleen Board Member	2 50	X						0	0	0
(5) Sister Kathleen Crowley Board Member	2 50	X						0	0	0
(6) Dennis Kruse Board Member	2 50	X						0	0	0
(7) Sister Bonita Gacnik Board Member	2 50	X						0	0	0
(8) David Olson Board Member	2 50	X						0	0	0
(9) Jacquelyn Johnson Board Member	2 50	X						0	0	0
(10) Jennifer Tegethoff MD Board Member (1-12 - 6-12)	40 00	X						211,069	0	11,584
(11) Diane Sandhoff Board Member	2 50	X						0	0	0
(12) Robert Snortum MD Board Member (thru 1-12)	40 00	X						344,454	0	22,343
(13) Jerry Thomsen Board Member	2 50	X						0	0	0
(14) Terry Torgerson Board Member	2 50	X						0	0	0
(15) Michael Krause DO Board Member	2 50	X						40,000	0	0
(16) Patricia Malters MD Board Member	40 00	X						76,075	0	3,745
(17) Greg Van Wald Board Member	2 50	X						0	0	0

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

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (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) Sister Joan Reichelt Board Member	2 50	X						0	0	0
(19) Thomas Clark President & CEO	40 00	X		X				0	161,842	14,011
(20) William E Flett Sec/Treas & VP of Finance	40 00			X				59,746	0	13,242
(21) Patrick J Clark Sec/Treas & SrVP Finance (thru 1/12)	40 00			X				206,629	0	22,916
(22) Stephen Dick MD Physician	40 00					X		421,749	0	29,474
(23) Christopher Krouse MD Physician	40 00					X		1,035,566	0	29,474
(24) Michael Haley MD Physician	40 00					X		447,185	0	29,474
(25) Dennis Leland MD Physician	40 00					X		566,195	0	32,473
(26) Brian Kampmann MD Physician	40 00					X		646,502	0	29,474
(27) Tom Rasmusson Former President & CEO	40 00						X	0	253,336	18,798

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	4,055,170	415,178	257,008

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 43

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

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization 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
Avera Health 3900 W Avera Drive Suite 300 Sioux Falls, SD 57108	Shared Services	3,709,284
Aegis Therapies Inc PO Box 8103 Fort Smith, AR 72902	Physical and Occupational Therapy	283,916
Custom Touch Homes LLC 411 SE 12th St Madison, SD 57042	Construction	205,262
Quality Homes LLC 1525 W Elm Ave Mitchell, SD 57301	Construction	188,960
Integrated Therapy Services PO Box 1284 Sioux Falls, SD 57105	PT, OT, Speech Therapy Services	150,052

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶ 7

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 299,594				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		299,594			
Program Service Revenue			Business Code				
	2a	Net Patient & Resident	623000	89,738,446	89,738,446		
	b	Other Revenue	900099	1,181,634	1,181,634		
	c	Cafeteria	900099	453,662	453,662		
	d	Interest in Avera Heal	900099	285,600	285,600		
	e	Community wellness	900099	112,434	112,434		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		91,771,776			
	3	Investment income (including dividends, interest and other similar amounts)		34,701			34,701
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	319,103 /				
	b	Less rental expenses	504,519 /				
	c	Rental income or (loss)	-185,416 /				
	d	Net rental income or (loss)		-185,416			-185,416
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	1,328,050 /				
	b	Less cost or other basis and sales expenses	0 / 6,181				
	c	Gain or (loss)	1,328,050 / -6,181				
	d	Net gain or (loss)		1,321,869			1,321,869
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a						
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d					
	12	**Total revenue.** See Instructions		93,242,524	91,771,776	0	1,171,154

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	205,016	205,016		
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	1,203,971	918,036	285,935	
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	40,774,055	33,331,453	7,342,356	100,246
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,010,783	1,643,447	362,396	4,940
9	Other employee benefits	5,939,628	4,818,780	1,106,079	14,769
10	Payroll taxes	2,524,792	2,058,715	460,017	6,060
11	Fees for services (non-employees)				
a	Management				
b	Legal				
c	Accounting				
d	Lobbying				
e	Professional fundraising *See Part IV, line 17* . .				
f	Investment management fees				
g	Other	6,685,803	2,831,873	3,853,930	
12	Advertising and promotion	453,636	86,019	367,617	
13	Office expenses	8,887,521	7,047,818	1,828,813	10,890
14	Information technology	244,041	147,123	96,918	
15	Royalties . .				
16	Occupancy	1,920,951	1,270,741	650,210	
17	Travel	272,029	185,303	85,756	970
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	103,321	39,687	63,425	209
20	Interest	712,175	712,175		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	4,187,685	4,187,685		
23	Insurance	816,129	816,129		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	Medical Supplies	6,760,724	6,760,724		
b	Bad Debt Expense	3,026,522	3,026,522		
c	Equipment Lease and Ren	128,333	106,704	21,629	
d	Grant program expenditu	124,900	124,900		
e					
f	All other expenses	761,055	750,862	8,573	1,620
25	**Total functional expenses.** Add lines 1 through 24f	87,743,070	71,069,712	16,533,654	139,704
26	**Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		3,286,441	2	3,368,813
	3	Pledges and grants receivable, net		639	3	1,292
	4	Accounts receivable, net		11,706,690	4	12,573,812
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		108,959	5	39,762
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		1,222,612	8	1,234,335
	9	Prepaid expenses and deferred charges		653,214	9	957,408
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 89,438,453			
	b	Less accumulated depreciation	10b 51,435,175	38,296,504	10c	38,003,278
	11	Investments—publicly traded securities		7,237,868	11	924,180
	12	Investments—other securities See Part IV, line 11		41,750,866	12	51,789,691
	13	Investments—program-related See Part IV, line 11		332,077	13	292,572
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		1,228,431	15	2,478,645
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		105,824,301	16	111,663,788
Liabilities	17	Accounts payable and accrued expenses		6,928,998	17	7,863,100
	18	Grants payable			18	
	19	Deferred revenue		128,877	19	33,476
	20	Tax-exempt bond liabilities		22,262,117	20	23,448,866
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		544,037	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		2,925,943	25	4,374,982
	26	**Total liabilities.** Add lines 17 through 25		32,789,972	26	35,720,424
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		70,490,116	27	73,165,461
	28	Temporarily restricted net assets		1,748,895	28	1,981,585
	29	Permanently restricted net assets		795,318	29	796,318
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		73,034,329	33	75,943,364
	34	Total liabilities and net assets/fund balances		105,824,301	34	111,663,788

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	93,242,524
2	Total expenses (must equal Part IX, column (A), line 25)	2	87,743,070
3	Revenue less expenses Subtract line 2 from line 1	3	5,499,454
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	73,034,329
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-2,590,419
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	75,943,364

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

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

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

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

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

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

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

Part II **Support Schedule for Organizations Described in 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 (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 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 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 ▶☐

b **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 ▶☐

b **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 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

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ **Complete if the organization is described below.**

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

OMB No 1545-0047

2011

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	Employer identification number
Avera Queen of Peace Hospital	46-0224604

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

1 Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)

B Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing Organization's Totals	(b) Affiliated Group Totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount Enter the amount from the following table in both columns		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a If zero or less, enter -0-		
i Subtract line 1f from line 1c If zero or less, enter -0-		

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?	Yes		14,322
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities? If "Yes," describe in Part IV		No	
j	Total lines 1c through 1i			14,322
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

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

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

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

Part IV Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Preservation of an historically importantly land area
☐ Protection of natural habitat
☐ Preservation of a certified historic structure
☐ Preservation of open space

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b Assets included in Form 990, Part X ▶ $ _____

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

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

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

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

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

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

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

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

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

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

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

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

		(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a	Beginning of year balance	1,034,190	793,583	1,032,880	1,028,163	
b	Contributions		109,334			
c	Investment earnings or losses	6,624	131,273	-239,297	4,717	
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	1,040,814	1,034,190	793,583	1,032,880	

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

- a Board designated or quasi-endowment ▶ 13 080 %
- b Permanent endowment ▶ 76 510 %
- c Term endowment ▶ 10 410 %

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

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

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

Part VI 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	1,149,953	1,164,024		2,313,977
b Buildings		51,729,252	26,220,564	25,508,688
c Leasehold improvements				
d Equipment		33,788,998	24,050,775	9,738,223
e Other		1,606,226	1,163,836	442,390
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				38,003,278

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) Investment in affiliated organizations	166,125	C
(B) Interest in Avera Health Foundation	2,438,855	F
(C) Interest in net assets of Mabee Trust	754,227	F
(D) Assets Limited to use - Avera Pooled Investments	48,430,484	F
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	51,789,691	

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

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

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

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

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

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Derivative liability	3,039,225
Estimated third-party payor settlements	1,235,000
Capital lease obligations	100,757
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	4,374,982

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	93,242,524
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	87,743,070
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	5,499,454
4	Net unrealized gains (losses) on investments	4	-1,121,879
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-1,468,540
9	Total adjustments (net) Add lines 4 - 8	9	-2,590,419
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	2,909,035

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	87,391,701
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	-1,121,879		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-4,392,766		
e	Add lines **2a** through **2d**			2e	-5,514,645
3	Subtract line **2e** from line **1**			3	92,906,346
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	336,178		
c	Add lines **4a** and **4b**			4c	336,178
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	93,242,524

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

1	Total expenses and losses per audited financial statements			1	84,716,548
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	0
3	Subtract line **2e** from line **1**			3	84,716,548
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	3,026,522		
c	Add lines **4a** and **4b**			4c	3,026,522
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	87,743,070

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
	Part IV, Line 2b	The organization holds funds in trust on behalf of its residents
Description of Intended Use of Endowment Funds	Part V, Line 4	The organization's endowments consist of a portion of their interest in the net assets of Avera Health Foundation and their beneficial interest in the Mabee Trust Avera Health Foundation includes endowment funds which have been established for a variety of purposes The endowment fund assets included in the Organization's beneficial interest in the Mabee Trust have been established to purchase equipment and furnishings for the Organization As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions The Organization's permanently restricted endowment funds are donor restricted The Organization currently does not have any board-designated endowment funds
Description of Uncertain Tax Positions Under FIN 48	Part X	The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred The Organization's federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2009
Part XI, Line 8 - Other Adjustments		Capital Contributions, Net -162,805 Change in Fair Value of Interest Rate Swap -1,193,985 Loss on Refinancing -111,750 Total to Schedule D, Part XI, Line 8 -1,468,540
Part XII, Line 2d - Other Adjustments		Change in Fair Value of Interest Rate Swap -1,193,985 Loss on Refinancing -111,750 Reclassification of Accumulated Losses on Interest Rate Swap -60,509 Provision for bad debts included in revenue on financial statements -3,026,522
Part XII, Line 4b - Other Adjustments		Grants and contributions recorded in fund balance for financial statements 48,747 Change in interest in Avera Foundation recorded in fund balance for F/S 296,541 Change in interest in Mabee Trust recorded in fund balance for F/S -9,110
Part XIII, Line 4b - Other Adjustments		Provision for bad debts included in revenue on financial statements 3,026,522

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

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 ☑ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care ☐ 100% ☑ 150% ☐ 200% ☐ Other _____ %	3a	Yes	
b	Did the organization use FPG to determine eligibility for providing *discounted* care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %	3b	Yes	
c	If the organization 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			
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		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		
6a	Did the organization prepare a community benefit reportduring the tax year?	6a	Yes	
6b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H			

7 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)		2,154	854,145		854,145	1 010 %
b Medicaid (from Worksheet 3, column a)		6,631	7,149,781	4,992,731	2,157,050	2 550 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs		8,785	8,003,926	4,992,731	3,011,195	3 560 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	29	44,642	49,789	625	49,164	0 060 %
f Health professions education (from Worksheet 5)	1	4	12,042		12,042	0 010 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	41	42,245	166,055		166,055	0 200 %
j **Total** Other Benefits	71	86,891	227,886	625	227,261	0 270 %
k **Total.** Add lines 7d and 7j	71	95,676	8,231,812	4,993,356	3,238,456	3 830 %

Part II Community 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
1	Physical improvements and housing						
2	Economic development	1	500	2,196		2,196	0 %
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development	1	247	1,681		1,681	0 %
9	Other	1		68,679	46,800	21,879	0 030 %
10	**Total**	3	747	72,556	46,800	25,756	0 030 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense	2	3,026,522		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	28,804,465		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	34,836,000		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-6,031,535		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV Management 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					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest)

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

	Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
1	Avera Queen of Peace Hospital 525 North Foster Street Mitchell, SD 57301	X	X					X		3 Provider Based Clinics
2	Avera Weskota Memorial Medical Center 609 1st Street NE Wessington Springs, SD 57382	X				X		X		
3	Avera De Smet Memorial Hospital 306 Prairie Avenue SW De Smet, SD 57231	X				X		X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Avera Queen of Peace Hospital

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	**1**		No
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ 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?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**	Yes	
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Avera Weskota Memorial Medical Center

Name of Hospital Facility: _____

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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	**1**		No
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	**3**		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	**4**		
5 Did the hospital facility make its Needs Assessment widely available to the public?	**5**		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	**7**		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**8**	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	**9**	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ 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?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**	Yes	
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

Avera De Smet Memorial Hospital

Name of Hospital Facility:

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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	1		No
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet those needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ___			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Development of a community-wide community benefit plan for the facility			
d ☐ Participation in community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g ☐ Prioritization of health needs in the community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care?	9	Yes	
If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000%			
If "No," explain in Part VI the criteria the hospital facility used			

Part V Facility Information *(continued)*

			Yes	No
10	Used FPG to determine eligibility for providing discounted care?	10	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000%			
	If "No," explain in Part VI the criteria the hospital facility used			
11	Explained the basis for calculating amounts charged to patients?	11	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
	a ☑ Income level			
	b ☑ Asset level			
	c ☑ Medical indigency			
	d ☑ Insurance status			
	e ☑ Uninsured discount			
	f ☑ Medicaid/Medicare			
	g ☐ State regulation			
	h ☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
	a ☑ The policy was posted at all times on the hospital facility's web site			
	b ☐ The policy was attached to all billing invoices			
	c ☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
	d ☐ The policy was posted in the hospital facility's admissions offices			
	e ☐ The policy was provided, in writing, to patients upon admission to the hospital facility			
	f ☑ The policy was available upon request			
	g ☑ Other (describe in Part VI)			

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (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 ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments or arrests			
	e ☐ 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?	16		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
	a ☐ Reporting to credit agency			
	b ☐ Lawsuits			
	c ☐ Liens on residences			
	d ☐ Body attachments			
	e ☐ Other similar actions (describe in Part VI)			
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply)			
	a ☐ Notified patients of the financial assistance policy upon admission			
	b ☐ Notified patients of the financial assistance policy prior to discharge			
	c ☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
	d ☐ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy			
	e ☐ Other (describe in Part VI)			

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

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

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
20 Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	**20**	Yes	
If "Yes," explain in Part VI			
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?	**21**	Yes	
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

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

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

	Name and address	Type of Facility (Describe)
1	Avera Brady Assisted Living 1414 W Cedar Ave Mitchell, SD 57301	Assisted Living
2	Avera Brady Health and Rehab 500 S Ohman St Mitchell, SD 57301	Nursing Home
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the 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 3c To determine eligibility for charity care, Avera Queen of Peace Hospital has developed a test which utilizes a combination of household income, household assets, and also considers unpaid past and ongoing medical expenses Charity discount may range from 10 - 100% depending on score

Identifier	ReturnReference	Explanation
		Part I, Line 6a Part 1, line 6A Our community benefit report is contained in a report prepared by Avera Health, a related organization It is available through the website and requested mailing, and is filed with the Catholic Health Association

Identifier	ReturnReference	Explanation
		Part I, Line 7 Charity care and unreimbursed medicaid was converted to cost using the cost to charge ratio in IRS worksheet 2 The amounts on lines 7e-i represent expenses reported in the general ledger

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) AQOP bad debt expense of $3,026,522 is included on Form 990, Part IX, Line 25, Column (A) but excluded for purposes of calculating this percentage

Identifier	ReturnReference	Explanation
		Part II Avera Queen of Peace supports numerous economic development organizations with participation at meetings and donations throughout its service area Additionally, Avera Queen of Peace works with Dakota Wesleyan University, the Mitchell Technical Institute, and local high schools to address healthcare worker shortages in the communities of its service area

Identifier	ReturnReference	Explanation
		Part III, Line 4 Bad debt is reported at charges as recorded by the organization Bad debt expense is reported net of discounts and contractual allowances A payment on an account previously written off reduces bad debt expense in the current year Note from Financial Statement Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents and third-party payors Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts Management considers historical write off and recovery information in determining the estimated bad debt provision Management also reviews accounts to determine if classification as charity care is appropriate

Identifier	ReturnReference	Explanation
		Part III, Line 8 Medicare allowable costs of care are based on the Medicare cost report The Medicare Cost Report is completed based on the rules and regulations set forth by CMS Avera Queen of Peace follows the CHA guidelines in reporting community benefits and therefore any Medicare shortfall (as calculated including our non-cost report entities) is excluded from our community benefit report However, Medicare is the organization's largest payer and patients with Medicare coverage are accepted regardless of whether or not a surplus or deficit is realized from providing the services This basis therefore means providing Medicare services promotes access to healthcare services which is a key advantage for our community

Identifier	ReturnReference	Explanation
		Part III, Line 9b If the patient qualifies for the organization's financial assistance policy for low-income, uninsured patients and is cooperating with the organization with regard to efforts to settle an outstanding bill within a reasonable time period, the organization or it's agent shall not send, nor indicate that it will send, the unpaid bill to any outside agency if doing so may negatively impact a patient's credit At such time as the organization sends the uncollected account to an outside collection agency, the amount referred to the agency shall reflect the reduced-payment level for which the patient was eligible under the organization's financial assistance policy for low-income uninsured patients Any extended payment plans offered by a hospital in settling the outstanding bills of low income, uninsured patients who qualify for financial assistance shall be interest-free so long as the repayment schedule is met

Identifier	ReturnReference	Explanation
Avera Queen of Peace Hospital		Part V, Section B, Line 13g A summary of the financial assistance policy is posted in the hospital facility's emergency rooms, waiting rooms, and admissions office and included in the billing statement In addition, the financial assistance policy is discussed with the patient upon admission to the facility

Identifier	ReturnReference	Explanation
Avera Weskota Memorial Medical Center		Part V, Section B, Line 13g A summary of the financial assistance policy is posted in the hospital facility's emergency rooms, waiting rooms, and admissions office and included in the billing statement In addition, the financial assistance policy is discussed with the patient upon admission to the facility

Identifier	ReturnReference	Explanation
Avera De Smet Memorial Hospital		Part V, Section B, Line 13g A summary of the financial assistance policy is posted in the hospital facility's emergency rooms, waiting rooms, and admissions office and included in the billing statement In addition, the financial assistance policy is discussed with the patient upon admission to the facility

Identifier	ReturnReference	Explanation
Avera Queen of Peace Hospital		Part V, Section B, Line 19d The maximum amount charged to a patient under the financial assistance policy for emergency and medically necessary care is 90% of the gross charges This is based on the lowest discount under the charity care policy of 10%

Identifier	ReturnReference	Explanation
Avera Weskota Memorial Medical Center		Part V, Section B, Line 19d The maximum amount charged to a patient under the financial assistance policy for emergency and medically necessary care is 90% of the gross charges This is based on the lowest discount under the charity care policy of 10%

Identifier	ReturnReference	Explanation
Avera De Smet Memorial Hospital		Part V, Section B, Line 19d The maximum amount charged to a patient under the financial assistance policy for emergency and medically necessary care is 90% of the gross charges This is based on the lowest discount under the charity care policy of 10%

Identifier	ReturnReference	Explanation
Avera Queen of Peace Hospital		Part V, Section B, Line 20 The hospital provides a reduction to gross charges under their financial assistance policy The hospital has not determined the amount generally billed under the various proposed methods of calculation Therefore, it is possible a patient under the financial assistance policy could have paid more than the amount generally billed The hospital will review the various methods to ensure appropriate discounts are provided to equal or exceed the amounts generally billed to those with insurance

Identifier	ReturnReference	Explanation
Avera Weskota Memorial Medical Center		Part V, Section B, Line 20 The hospital provides a reduction to gross charges under their financial assistance policy The hospital has not determined the amount generally billed under the various proposed methods of calculation Therefore, it is possible a patient under the financial assistance policy could have paid more than the amount generally billed The hospital will review the various methods to ensure appropriate discounts are provided to equal or exceed the amounts generally billed to those with insurance

Identifier	ReturnReference	Explanation
Avera De Smet Memorial Hospital		Part V, Section B, Line 20 The hospital provides a reduction to gross charges under their financial assistance policy The hospital has not determined the amount generally billed under the various proposed methods of calculation Therefore, it is possible a patient under the financial assistance policy could have paid more than the amount generally billed The hospital will review the various methods to ensure appropriate discounts are provided to equal or exceed the amounts generally billed to those with insurance

Identifier	ReturnReference	Explanation
Avera Queen of Peace Hospital		Part V, Section B, Line 21 Individuals eligible for financial assistance are not charged gross charges for emergency or other medically necessary care, however may be charged gross charges for elective care

Identifier	ReturnReference	Explanation
Avera Weskota Memorial Medical Center		Part V, Section B, Line 21 Individuals eligible for financial assistance are not charged gross charges for emergency or other medically necessary care, however may be charged gross charges for elective care

Identifier	ReturnReference	Explanation
Avera De Smet Memorial Hospital		Part V, Section B, Line 21 Individuals eligible for financial assistance are not charged gross charges for emergency or other medically necessary care, however may be charged gross charges for elective care

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Avera Queen of Peace is currently conducting a Community Health Needs Assessment Several groups/organizations have been contacted and interviews have been set up in order to cultivate their needs and input A target date of January 2013 has been set to quantify information received from these meetings

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Anyone who is uninsured receives a letter with their itemized bill which describes both the uninsured program and the charitycare program Any uninsured patient is contacted by phone or letter by our collections department at which time our programs are described Also, inpatient and same day surgery patients receive a brochure in their admissions packet Pre-collection letters also include information regarding our charity care and uninsured programs

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Avera Queen of Peace's service area includes Davison County and surrounding counties in South Dakota In 2010, the population for Davison County was estimated to be 19,504 Approximately 16 9% of the population is age 65 or older The average per capita income is $23,510 and approximately 12% of individuals are below the federal poverty level The nearest hospital in the area is approximately 22 miles from Avera Queen of Peace

Identifier	ReturnReference	Explanation
		Part VI, Line 5 AVERA QUEEN OF PEACE IS A VERIFIED LEVEL III TRAUMA CENTER AND OPERATES AN EMERGENCY DEPARTMENT STAFFED 24 HOURS PER DAY WITHBOARD CERTIFIED PHYSICIANS EMERGENCY CARE IS PROVIDED ON AN OPEN DOOR BASIS REGARDLESS OF ABILITY TO PAY AVERA QUEEN OF PEACE LEASES OR MANAGES THREE CRITICAL ACCESS HOSPITALS WHICH PROVIDE A BROAD RANGE OF INPATIENT, OUTPATIENT SERVICES AND 24 HOUR EMERGENCY ROOMS IN 3 VERY RURAL COMMUNITIES AVERA QUEEN OF PEACE OWNS THREE RURAL HEALTH CLINICS WHICH PROVIDE PRIMARY CARE SERVICES IN THREE RURAL COMMUNITIES SIMILAR TO THE HOSPITALS IN THE AQOP REGION, THESE CLINICS ARE OPERATED ON AN OPEN DOOR BASIS AND CARE IS PROVIDED REGARDLESS OF ABILITY TO PAY MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL LICENSED AND QUALIFIED APPLICANTS THE AVERA QUEEN OF PEACE BOARD OF DIRECTORS IS PRINCIPALLY COMPRISED OF COMMUNITY MEMBERS FROM THE PRIMARY AND SECONDARY SERVICES AREAS MEMBERS COME FROM A VARIETY OF BACKGROUNDS INCLUDING BANKING, EDUCATION, AGRICULTURE, HEALTHCARE, AND PRIVATE INDUSTRY

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The communities in which Avera operates all have unique health and community benefit needs and in keeping with the Catholic Healthcare Association guidelines each hospital strives to meet its community's identified needs The Avera central office advocates for all on community benefit related matters of state, regional and nation importance

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. 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) Mitchell Tech Institute Foundation821 N Capital Mitchell, SD 57301	46-0452950	501(c)(3)	58,948				donation
(2) University of South Dakota414 E Clark St Vermillion, SD 57069	46-6018891	501(c)(3)	24,000				donation

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . ▶ 2

3 Enter total number of other organizations listed in the line 1 table . . . ▶ 0

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

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

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

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The organization only makes grants to other organizations which are tax-exempt under Section 501(c)(3)

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

Part I Questions Regarding Compensation

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

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use 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) Jennifer Tegethoff MD	(i)	124,871	85,810	388	10,584	1,273	222,926	0
	(ii)	0	0	0	0	0	0	0
(2) Robert Snortum MD	(i)	311,679	28,001	4,774	12,250	10,608	367,312	0
	(ii)	0	0	0	0	0	0	0
(3) Thomas Clark	(i)	0	0	0	0	0	0	0
	(ii)	122,288	25,000	14,554	7,995	6,016	175,853	0
(4) Patrick J Clark	(i)	184,527	17,186	4,916	11,832	11,157	229,618	0
	(ii)	0	0	0	0	0	0	0
(5) Stephen Dick MD	(i)	354,913	45,452	21,384	12,250	17,972	451,971	0
	(ii)	0	0	0	0	0	0	0
(6) Christopher Krouse MD	(i)	880,157	92,964	62,445	12,250	18,736	1,066,552	0
	(ii)	0	0	0	0	0	0	0
(7) Michael Haley MD	(i)	195,359	244,849	6,977	12,250	18,088	477,523	0
	(ii)	0	0	0	0	0	0	0
(8) Dennis Leland MD	(i)	192,359	371,739	2,097	12,250	21,311	599,756	0
	(ii)	0	0	0	0	0	0	0
(9) Brian Kampmann MD	(i)	547,149	45,186	54,167	12,250	18,713	677,465	0
	(ii)	0	0	0	0	0	0	0
(10) Tom Rasmusson	(i)	0	0	0	0	0	0	0
	(ii)	213,452	2,000	37,884	8,645	10,506	272,487	0

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
Supplemental Information	Part III	Schedule J, Part I Line 3 The President/CEO's compensation is paid by a related organization, Avera Health Avera Queen of Peace relied on the related organization for determining the compensation for the President/CEO using the methods described in Part I, Line 3

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
(1) Brian Kampmann recruitment		X	136,000	4,028		No	Yes		Yes	
(2) Patricia Malters recruitment		X	30,000	17,867		No	Yes		Yes	
(3) David Malters recruitment		X	30,000	17,867		No	Yes		Yes	
Total . . . . . ▶ $				39,762						

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
(1) David Malters MD	Family member of board member	159,934	compensation		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
Avera Queen of Peace Hospital

Employer identification number
46-0224604

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 2	SISTER KATHLEEN CROWLEY HAS A BUSINESS RELATIONSHIP WITH THOMAS CLARK

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

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

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	The return is reviewed initially by the CFO The return is made available to the Board of Directors for review prior to filing

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

Identifier	Return Reference	Explanation
		The CEO is compensated by Avera Health Annually the Compensation Committee of Avera Health, which is comprised of six (6) System Members appointed by the Religious Orders, meets with an independent consultant regarding fair market value of officers and key employees The Compensation Committee approves all salaries based on comparable data and documents the basis for their decision in meeting minutes The compensation of the Senior VP of Finance is determined by Human Resources based on a market analysis of comparable positions The compensation is approved by the CEO

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

Identifier	Return Reference	Explanation
	Form 990, Part VII	In addition to the hours served at Avera Queen of Peace Hospital, Sister Kathleen Crowley also serves 1 hour per week at both Avera Workers' Compensation Trust and Avera Holy Family and 5 hours per week at Avera Health and Sister Joan Reichelt also serve 1 and three-tenths hours per week at Avera Marshall and 2 hours per week at Avera McKennan

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -1,121,879 Capital Contributions, Net -162,805 Change in Fair Value of Interest Rate Swap -1,193,985 Loss on Refinancing -111,750 Total to Form 990, Part XI, Line 5 -2,590,419

Identifier	Return Reference	Explanation
	Form 990, Part XII, Line 2c	The Audit Committee of Avera Health, parent organization, selects the auditor and reviews the audited financial statements for Avera Queen of Peace

Identifier	Return Reference	Explanation
	Form 990, Part X, Line 20	The issue price includes the filing organization's share of the entire bond issue, which was issued to Avera Health on behalf of the Avera Obligated Group The Avera Obligated Group consists of Avera Health, Avera McKennan, Avera St Luke's, Avera Queen of Peace, Avera Marshall, and Avera Sacred Heart In accordance with IRS instructions, information related to the tax exempt bond reporting is being reported on Avera Health's tax return (EIN 46-0422673)

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Avera Queen of Peace Hospital

Employer identification number
46-0224604

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

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II **Identification of Related Tax-Exempt Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Accounts Management Inc 5132 S Cliff Ave Suite 101 Sioux Falls, SD 57108 46-0373021	collection agency	SD	N/A	C			
(2) Avera Health Plans Inc 3900 West Avera Drive Suite 101 Sioux Falls, SD 57108 46-0451539	health financing and health plan administration	SD	N/A	C			
(3) Avera Property Insurance Inc 610 W 23rd St Ste 1 PO Box 38 Yankton, SD 57078 46-0463155	insurance	SD	N/A	C			
(4) Dr Donald & Marguerite Mabee Trust c/o First National Bank of South Da Mitchell, SD 57301 46-6056202	investing	SD	N/A	T	-9,110	754,227	100 000 %
(5) Valley Health Services 501 Summit Street Yankton, SD 57078 46-0357149	medical equipment	SD	N/A	C			

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

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n	Yes	
o Reimbursement paid to related organization(s) for expenses	1o	Yes	
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q	Yes	
r Other transfer of cash or property from related organization(s)	1r	Yes	

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Dr Donald & Marquerite Mabee Trust		0	
(2)			
(3)			
(4)			
(5)			
(6)			

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate 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		Yes	No	

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation	

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0224604
Name: Avera Queen of Peace Hospital

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

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c)(3))	(f) Direct Controlling Entity	g Section 512(b)(13) controlled organization	
Avera Health 3900 West Avera Drive Suite 300 Sioux Falls, SD 57108 46-0422673	Promotion of Health	SD	501(c)(3)	Line 9	N/A		No
Avera Workers' Compensation Trust 3900 West Avera Drive Sioux Falls, SD 57108 46-0407148	Economical Coverage of Workers' Compensation Claims	SD	501(c)(3)	Line 11b, II	Avera Health		No
Avera St Anthony's Hospital 300 N 2nd Street ONeill, NE 68763 47-0463911	Healthcare Education	NE	501(c)(3)	Line 3	Avera Health		No
Avera Holy Family 826 North 8th Street Estherville, IA 51334 42-0680370	Healthcare Services	IA	501(c)(3)	Line 3	Avera Health		No
Avera Holy Family Foundation 826 North 8th Street Estherville, IA 51334 42-1317452	Fundraising	IA	501(c)(3)	Line 9	Avera Holy Family		No
Avera Marshall 300 S Bruce Street Marshall, MN 56258 41-0919153	Healthcare Services	MN	501(c)(3)	Line 3	Avera Health		No
Avera Marshall Foundation 300 S Bruce Street Marshall, MN 56258 41-1784801	Fundraising	MN	501(c)(3)	Line 7	Avera Marshall		No
St Benedict Health Center 401 West Glynn Drive Parkston, SD 57366 46-0226738	Healthcare Services	SD	501(c)(3)	Line 3	Avera Health		No
St Benedict Health Center Foundation West Glynn Drive PO Box B Parkston, SD 57366 46-0458725	Support Health Related Services	SD	501(c)(3)	Line 11a, I	St Benedict Health Center		No
Avera McKennan 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 57117 46-0224743	Healthcare Services	SD	501(c)(3)	Line 3	Avera Health		No
Sacred Heart Health Services 501 Summit Street Yankton, SD 57078 46-0225483	Healthcare Services	SD	501(c)(3)	Line 3	Avera Health		No
Sacred Heart Rural Health Clinics Inc 501 Summit Street Yankton, SD 57078 46-0423930	Clinic Services	SD	501(c)(3)	Line 3	Sacred Heart Health Services		No
Health Management Services 501 Summit Yankton, SD 57078 46-0399291	Adult Daycare and Homemaking Services	SD	501(c)(3)	Line 9	Sacred Heart Health Services		No
Lewis and Clark Health Education and Service Agency 1000 W 4th Street Suite 9 Yankton, SD 57078 46-0337013	Healthcare Services	SD	501(c)(3)	Line 9	Sacred Heart Health Services		No
Avera St Luke's 305 South State Street Aberdeen, SD 57401 46-0224598	Healthcare Services	SD	501(c)(3)	Line 3	Avera Health		No

Form 990, Schedule R, Part III - Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income ($)	(g) Share of end-of-year assets ($)	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1 ($)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Q&M Properties LLC 525 North Foster Mitchell, SD 57301 73-1652049	medical clinic building	SD	N/A	excluded - Sec 512	-477	412,030		No		Yes		50 000 %
Avera Home Medical Equipment LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 57117 46-0488198	medical services - home medical equipment	SD	N/A									
Midwest Regional Imaging Services LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 57117 47-0874983	health care - medical imaging	SD	N/A									
Home Medical of Pierre LLC 329 E Dakota Pierre, SD 57501 46-0444002	medical services - home medical equipment	SD	N/A									
Avera Home Medical Equipment of Floyd Valley Hospital LLC 714 Lincoln St NE Lemars, IA 51031 82-0582350	medical services - home medical equipment	SD	N/A									
Avera Home Medical Equipment of Estherville LLC PO Box 5045 Sioux Falls, SD 57117 20-1686097	medical services - home medical equipment	SD	N/A									
Avera Home Medical Equipment of Sioux Center LLC 38 19th ST SW Sioux Center, IA 51250 75-3203100	medical services - home medical equipment	SD	N/A									
Avera Home Medical Equipment of Marshall LLC 1104 East College Drive Marshall, MN 56258 20-5271924	medical services - home medical equipment	SD	N/A									
Avera Home Medical Equipment of Spencer Hospital LLC 2400 S Minnesota Ave 102 Sioux Falls, SD 57117 80-0619999	medical services - home medical equipment	SD	N/A									
Surgical Associates Endoscopy Clinic LLC 310 S Pennsylvania St Aberdeen, SD 57401 46-0461429	surgical associates	SD	N/A									
Heart Hospital of South Dakota LLC 10720 Sikes Place Suite 300 Charlotte, NC 28277 56-2143771	healthcare services	NC	N/A									

Financial Statements
June 30, 2012 and 2011

Avera Queen of Peace

Avera Queen of Peace
Table of Contents
June 30, 2012 and 2011

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

We have audited the accompanying balance sheets of Avera Queen of Peace (Organization) as of June 30, 2012 and 2011, and the related statements of operations, changes in net assets, and cash flows for the years then ended These financial statements are the responsibility of the Organization's management Our responsibility is to express an opinion on these financial statements based on our audits

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avera Queen of Peace as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

As discussed in Note 21 to the financial statements, in accordance with updates to the relevant accounting standards pertaining to the presentation and disclosure of patient service revenue, provision for bad debts, and the allowance for doubtful accounts for certain health care entities, Avera Queen of Peace has changed its presentation and disclosure of those financial statement elements

Eide Bailly LLP

Sioux Falls, South Dakota
October 3, 2012

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

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	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 3,368,813	$ 3,286,441
Assets limited as to use	-	433,117
Deferred compensation trust	-	544,037
Receivables		
Patient and resident, net of estimated uncollectibles, charity, and other allowances of $13,692,000 in 2012 and $11,735,000 in 2011	12,164,552	11,191,672
Other	534,795	786,901
Supplies	1,234,335	1,222,612
Prepaid expenses	957,408	653,214
Custodial funds held by related party	1,998,365	-
Total current assets	20,258,268	18,117,994
Assets Limited as to Use		
Under indenture agreements	-	433,117
By Board for capital improvements and debt redemption	49,354,664	45,188,582
Interest in net assets of Avera Health Foundation	2,438,855	2,295,037
Beneficial interest in Mabee Trust	754,227	809,145
	52,547,746	48,725,881
Less portion in current assets	-	433,117
Noncurrent assets limited as to use	52,547,746	48,292,764
Property and Equipment	36,853,325	37,187,209
Other Assets		
Other receivables, net of allowance for uncollectibles of $132,484 in 2012 and $49,279 in 2011	309,405	428,394
Investment in affiliated organizations	166,125	262,853
Rental property and real estate held for future use, net	1,149,953	1,109,295
Deferred financing costs, net	-	119,562
Other intangible assets, net	378,966	306,230
Total other assets	2,004,449	2,226,334
Total assets	$ 111,663,788	$ 105,824,301

See Notes to Financial Statements

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 177,060	$ 628,655
Accounts payable		
Trade	2,129,193	2,262,790
Estimated third-party payor settlements	1,235,000	783,966
Accrued expenses		
Salaries and wages	2,485,096	1,680,479
Paid time off benefits	2,563,514	2,411,898
Taxes, withholdings, and other	647,682	568,670
Interest	37,615	5,161
Deferred compensation due to employees	-	544,037
Deferred revenue	33,476	128,877
Total current liabilities	9,308,636	9,014,533
Long-Term Debt, Less Current Maturities	23,372,563	21,930,199
Derivative Liability	3,039,225	1,845,240
Total liabilities	35,720,424	32,789,972
Net Assets		
Unrestricted	73,165,461	70,490,116
Temporarily restricted	1,981,585	1,748,895
Permanently restricted	796,318	795,318
Total net assets	75,943,364	73,034,329
Total liabilities and net assets	$ 111,663,788	$ 105,824,301

Avera Queen of Peace
Statements of Operations
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenues, Gains, and Other Support		
Net patient and resident service revenue	$ 89,738,446	$ 80,739,311
Provision for bad debts	(3,026,522)	(2,384,264)
Net patient and resident service revenue less provision for bad debts	86,711,924	78,355,047
Other revenue	2,090,506	2,273,465
Total unrestricted revenues, gains, and other support	88,802,430	80,628,512
Expenses		
Salaries and wages	41,775,414	37,332,171
Employee benefits	11,220,320	10,432,202
Professional fees	1,239,407	1,250,276
Purchased services	2,770,530	2,502,381
Supplies	10,859,484	9,615,614
Repairs and maintenance	1,375,140	1,250,050
Other expenses	8,289,539	7,890,213
Insurance	816,129	715,535
Utilities and telephone	1,470,725	1,388,124
Interest	712,175	771,815
Depreciation and amortization	4,187,685	4,048,638
Total expenses	84,716,548	77,197,019
Operating Income	4,085,882	3,431,493
Other (Loss) Income		
Investment income	237,763	5,074,151
Rental property, net	(237,088)	(131,597)
Change in interest in net assets of Avera Health Foundation	(10,941)	159,119
(Loss) gain on disposal of property and equipment	(6,181)	5,567
Loss on extinguishment of long-term debt	(111,750)	(22,511)
Change in fair value of interest rate swap	(1,193,985)	308,019
Reclassification of accumulated losses on interest rate swap	(60,509)	(60,509)
Unrestricted contributions	-	55,415
Other nonoperating loss	(28,038)	(50,514)
Total other (loss) income, net	(1,410,729)	5,337,140
Revenues in Excess of Expenses	2,675,153	8,768,633
Reclassification of Accumulated Losses on Interest Rate Swap	60,509	60,509
Change in Accounting Principle	-	(90,989)
Equity Transfers	(162,805)	(129,511)
Grants and Contributions for Capital Purposes	48,747	748,069
Net Assets Released from Restrictions for Capital	53,741	36,406
Increase in Unrestricted Net Assets	$ 2,675,345	$ 9,393,117

Avera Queen of Peace
Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Revenues in excess of expenses	$ 2,675,153	$ 8,768,633
Reclassification of accumulated losses on interest rate swaps	60,509	60,509
Change in accounting principle	-	(90,989)
Equity transfers	(162,805)	(129,511)
Grants and contributions for capital purposes	48,747	748,069
Net assets released from restrictions for capital	53,741	36,406
Increase in unrestricted net assets	2,675,345	9,393,117
Temporarily Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	295,541	253,411
Change in beneficial interest in Mabee Trust	(9,110)	119,618
Net assets released from restrictions for capital	(53,741)	(36,406)
Increase in temporarily restricted net assets	232,690	336,623
Permanently Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	1,000	1,735
Increase in Net Assets	2,909,035	9,731,475
Net Assets, Beginning of Year	73,034,329	63,302,854
Net Assets, End of Year	$ 75,943,364	$ 73,034,329

	2012	2011
Operating Activities		
Change in net assets	$ 2,909,035	$ 9,731,475
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains and losses on investments	206,171	(5,007,960)
Change in fair value of interest rate swap	1,193,985	(308,019)
Equity transfers	162,805	129,511
Depreciation and amortization	4,507,899	4,341,671
Loss (gain) on disposal of property and equipment	6,181	(5,567)
Loss on extinguishment of long-term debt	111,750	22,511
Loss on investments recognized on the equity method	201,092	173,302
Undistributed portion of change in interest in net assets of foundations and trusts	(88,900)	(468,651)
Grants and contributions, restricted for capital	(48,747)	(748,069)
Change in assets and liabilities		
Receivables	(304,666)	588,656
Supplies	(6,011)	213,398
Prepaid expenses	(240,618)	(278,247)
Accounts payable	198,378	371,957
Accrued expenses	1,067,699	583,538
Deferred revenue	(95,401)	(329,610)
Net Cash from Operating Activities	9,780,652	9,009,896
Investing Activities		
Proceeds from sale of equipment	32,600	-
Purchase of property and equipment	(3,989,206)	(3,259,263)
Purchases of assets limited as to use	(6,449,050)	(7,566,274)
Proceeds from sales and maturities of assets limited to use	2,509,914	1,321,255
Cash paid for acquisition of clinic practices	(576,520)	(310,000)
Investments in equity investees, net of distributions	(104,364)	(139,285)
Net Cash used for Investing Activities	(8,576,626)	(9,953,567)
Financing Activities		
Equity transfers	(162,805)	(129,511)
Repayment of long-term debt	(22,458,097)	(134,113)
Issuance of long-term debt	23,448,866	-
Increase in custodial funds held by related party	(1,998,365)	-
Grants and contributions, restricted for capital	48,747	748,069
Payment of deferred financing costs	-	(14,985)
Net Cash (used for) from Financing Activities	(1,121,654)	469,460
Net Increase (Decrease) in Cash and Cash Equivalents	82,372	(474,211)
Cash and Cash Equivalents, Beginning of Year	3,286,441	3,760,652
Cash and Cash Equivalents, End of Year	$ 3,368,813	$ 3,286,441

	2012	2011
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 671,909	$ 756,511
Supplemental Disclosure of Noncash Investing Activities		
Accounts payable - construction in progress	$ 138,638	$ 19,579
Supplemental Disclosure of Noncash Investing Activities		
Property and equipment acquired through capital lease obligations	$ -	$ 304,763
Business Acquisitions		
Patient receivables, net	$ 162,119	$ 84,262
Other receivables	135,000	-
Supplies	5,712	6,146
Prepaid expenses	63,576	-
Property and equipment	108,217	77,488
Other intangible assets	101,896	127,104
Other assets	-	15,000
Net cash paid	$ 576,520	$ 310,000

Note 1 - Organization and Significant Accounting Policies

Organization

Avera Queen of Peace ("Organization") operates a 120-bed acute care hospital and an 84-bed nursing home in Mitchell, South Dakota, and two critical access hospitals ("CAH"), Avera Weskota Memorial Medical Center ("Weskota"), a 16-bed CAH in Wessington Springs, South Dakota and Avera De Smet Memorial Hospital ("De Smet"), a 17-bed CAH in De Smet, South Dakota The Organization operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established by Avera Health, the sole member of the Organization and a sponsored ministry of the Benedictine and Presentation Sisters

Cash and Cash Equivalents

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

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations The Organization does not charge interest on delinquent accounts Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Organization's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2011 to June 30, 2012 The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Organization has not significantly changed its charity care or uninsured discount policies during fiscal years 2012 or 2011

Physician Notes Receivables

The Organization issues notes to physicians as part of its recruitment process Notes are repayable over a minimum of a one-year period to a maximum of a five-year period and are issued at prime interest rates plus 2% The notes are issued with forgiveness provisions over the life of the note to encourage retention Based on historical analysis, it is anticipated that the balance of the notes will be forgiven

At June 30, 2012 and 2011, notes receivable from physicians totaled $309,405 and $428,394 As notes receivable from physicians and employees are expected to be forgiven they are included in other receivables on the balance sheet The notes receivable from physicians were reported net of allowances of $132,484 and $49,279 for the years ended June 30, 2012 and 2011, respectively

Supplies

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

Assets Limited as to Use

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

Property and Equipment

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

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

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

Deferred Financing Costs

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

Investments in Affiliated Organizations

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

Investments and Investment Income

Investments with readily determinable market values are stated at fair value The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges Certificates of deposit are recorded at historical cost, plus accrued interest The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825 ASC 825 permits entities to choose to measure many financial instruments and certain other items at fair value All investments are classified as trading securities, therefore investment income or loss (including interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law Investment income on funds held under indenture agreements is recorded as other operating revenue while all other investment income is recorded as nonoperating revenue in the statement of operations

The Organization, through its affiliation with Avera Health, participates in the Avera Pooled Investment Fund, a fund administered by Avera Health The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others Many of these alternative investments have fair values that are determined using the net asset value (NAV) provided by the investment manager NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund based upon their pro rata share of the investments

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability Level 3 inputs are unobservable inputs related to the asset or liability

Interest in Net Assets of Avera Health Foundation

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

Beneficial Interest in Mabee Trust

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

Intangible Assets

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

Impairment of Long-lived Assets

The Organization considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate No impairment was identified for the years ended June 30, 2012 and 2011

Income Taxes

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred The Organization's federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2009

Deferred Revenue

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

Deferred Compensation

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient and Resident Service Revenue

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

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided On the basis of historical experience, a significant portion of the Organization's uninsured patients and residents will be unable or unwilling to pay for the services provided Thus, the Organization records a significant provision for bad debts related to uninsured patients and residents in the period the services are provided Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2012 and 2011 from these major payor sources, is as follows

	2012	2011
Net patient and resident service revenue		
Third-party payors	$ 80,376,108	$ 73,163,918
Self-pay	9,362,338	7,575,393
Total all payors	$ 89,738,446	$ 80,739,311

Revenues in Excess of Expenses

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

Charity Care

The Organization provides health care services to patients who meet certain criteria under its Charity Care Policy without charge or at amounts less that established rates Since the Organization does not pursue collection of these amounts, they are not reported as patient service revenue The estimated cost of providing these services was $978,000 and $898,000 for the years ended June 30, 2012 and 2011, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients

Donor-Restricted Gifts

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

Advertising Costs

The Organization expenses advertising costs as they are incurred Advertising costs for the years ended June 30, 2012 and 2011 were $410,614 and $363,663, respectively

Use of Estimates

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

Market Risk

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

Reclassifications

Reclassifications have been made to the June 30, 2011, financial presentation to make it conform to the current year presentation The reclassification had no effect on previously reported operating results or changes in net assets

Note 2 - Loan Guarantees

As discussed in Note 9, the Organization is a member of the Avera Health Obligated Group (Obligated Group) and is a party to a Master Trust Indenture that results in the Organization being jointly and severally obligated for various debt issues of the Obligated Group The Obligated Group is comprised of Avera Health and five of its sponsored organizations including Avera McKennan, Avera St Luke's, Sacred Heart Health Services, Avera Queen of Peace, and Avera Marshall Avera McKennan and other Obligated Group members have recorded their allocable share of the par amount of these debt transactions based on their respective underlying proceeds from the various debt issuances The Master Trust Indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the debt is outstanding

As of June 30, 2012, the Organization is jointly and severally obligated for various bond issues under a Master Trust Indenture as follows

	2012
South Dakota Health and Educational Facilities Authority Series 2008B Revenue Bonds, 5 25% to 5 50% interest only until July 1, 2033, then varying installments to July 1, 2038	$ 50,320,000
South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Demand Revenue Bonds, 1 01% to 1 07% during the fiscal year for a weighted average interest rate of 1 04%, interest only until July 1, 2014, then varying annual installments through initial tender date of May 1, 2017 with a stated maturity of July 1, 2033	61,495,000
South Dakota Health and Educational Facilities Authority Series 2012A Revenue Bonds, fixed interest rates ranging from 3 00% to 5 00%, due in varying semi-annual interest payments and annual principal payments to July 1, 2042	71,205,000
South Dakota Health and Educational Facilities Authority Series 2012B Revenue Bonds, variable interest rates of approximately 1 24% from May 1, 2012 to June 30, 2012, varying principal payments due annually through initial tender date of May 1, 2019, final maturity of July 1, 2038	131,265,000
Series 2012C term note obligation payable to a financial institution, fixed interest rate of 2 45%, due in monthly payments of $70,201 with final balloon payment of $15,672,840 due May 1, 2017	17,767,351
	$ 332,052,351

Note 3 - Net Patient and Resident Service Revenue

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

Medicare – Prospective Payment System (PPS): Inpatient acute care services and outpatient services provided to Medicare program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009 Clinic services are paid on a cost-based methodology subject to limits if the clinic is a rural health clinic, and are reimbursed on a fixed fee schedule for other clinics

Medicare – Critical Access Hospital (CAH): Two of the Organization`s entities, Avera Weskota Memorial Medical Center and Avera De Smet Memorial Hospital, are licensed as CAH`s The hospitals are reimbursed for most inpatient and outpatient services at allowable cost plus one percent with final settlement determined after submission of annual cost reports by the hospitals which are subject to audits thereof by the Medicare intermediary The hospital`s cost reports have been settled by the Medicare program through June 30, 2010

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

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

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 6% of the Organization's net patient service revenue for the year ended June 30, 2012 and 32% and 7% for the year ended June 30, 2011. Laws and regulations governing the Medicare, Medicaid, and other 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 net patient service revenue for the years ended June 30, 2012 and 2011 increased approximately $1,000,000 and $900,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

During the year ended June 30, 2012, net patient service revenue increased by $522,936 related to a legal settlement from Medicare. Medicare had erroneously reduced payments to numerous hospitals across the nation that were paid under the inpatient prospective payment system by incorrectly calculating the effect of applying budget neutrality to the rural wage index floor for the years 1999 to 2006. By accepting the settlement from Medicare, the Organization agreed not to pursue any additional remediation from Medicare in regards to this specific calculation.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Total patient and resident service revenue	$ 177,622,266	$ 160,882,471
Contractual adjustments		
Medicare	(51,596,611)	(50,156,259)
Medicaid	(9,187,729)	(8,482,275)
Blue Cross	(12,568,204)	(10,394,562)
Other and clinics	(14,531,276)	(11,110,064)
Total contractual adjustments	(87,883,820)	(80,143,160)
Net patient and resident service revenue	89,738,446	80,739,311
Provision for bad debts	(3,026,522)	(2,384,264)
Net patient and resident service revenue less provision for bad debts	$ 86,711,924	$ 78,355,047

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2012 and 2011, is set forth in the following table

	2012	2011
Under indenture agreement - held by trustee		
Cash and cash equivalents	$ -	$ 433,117
Less amount shown as current	-	(433,117)
	$ -	$ -
By Board for capital improvements and debt redemption		
Cash and cash equivalents	$ 3,435	$ 5,902,690
Corporate bonds and notes	420,157	411,869
Certificates of deposit	258,251	255,173
Fixed income mutual funds	239,586	230,534
Interest in Pooled Investment Fund *	48,430,484	38,383,831
Interest receivable	2,751	4,485
	$ 49,354,664	$ 45,188,582
Interest in net assets of Avera Health Foundation		
Interest in Pooled Investment Fund *	$ 2,438,855	$ 2,295,037
Interest in net assets of Mabee Trust		
Cash and cash equivalents	$ 22,660	$ 59,647
Corporate bonds and notes	21,424	23,833
US Government Agency obligations	-	25,176
Fixed income mutual funds	303,858	262,508
Equity mutual funds	405,520	436,733
Interest receivable	765	1,248
	$ 754,227	$ 809,145
Deferred compensation trust		
Cash and cash equivalents	$ -	$ 16,571
Fixed income mutual funds	-	119,241
Equity mutual funds	-	408,225
	$ -	$ 544,037

Pooled Investment Fund*

The Organization is a participant in the Avera Pooled Investment Fund, a fund administered by Avera Health that is maintained for the benefit of facilities that are sponsored, operated, or managed by Avera Health Investments are made in conformity with the objectives and guidelines of the Avera Health Pooled Investment Committee Within the fund, facilities share in a pool of investments that are managed by various fund managers Asset valuation and income and losses of the fund are allocated to participating members based on the carrying amount of their investment in the fund

As of June 30, 2012 and 2011, the Avera Pooled Investment Fund assets consisted of the following types of investments

	2012	2011
Equity mutual funds	23 6%	24 9%
Fixed income mutual funds	15 9%	10 1%
Publicly traded equity securities	12 0%	13 2%
Cash and short-term investments	11 9%	6 7%
Non-publicly traded alternative investments		
Hedge fund	11 3%	12 7%
Real asset	2 6%	2 4%
US Government Agency obligations	6 8%	12 1%
Foreign equities	5 9%	8 5%
Corporate bonds	5 7%	5 3%
Other fixed income	2 4%	2 7%
US Treasury obligations	1 9%	1 4%
	100 0%	100 0%

Investment Income

Investment income and gains and losses on assets limited as to use, cash equivalents, and other investments consists of the following for the years ended June 30, 2012 and 2011

	2012	2011
Other revenue		
Interest income	$ 3,109	$ 6,511
Other income		
Interest income	$ 31,592	$ 66,191
Realized gains on investments, net	1,328,050	1,252,075
Change in unrealized gains and losses on investments	(1,121,879)	3,755,885
	$ 237,763	$ 5,074,151

Note 5 - Fair Value Measurements

Fair Value of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis at June 30, 2012 and 2011, respectively, are as follows

	2012	2011
Cash and cash equivalents	$ 26,095	$ 6,395,454
U S Government Agency obligations	-	25,176
Corporate bonds and notes	441,581	435,702
Fixed income mutual funds	543,444	493,042
Equity mutual funds	405,520	436,733
Deferred compensation trust	-	544,037
Total assets	$ 1,416,640	$ 8,330,144
Interest rate swap agreement liability	$ 3,039,225	$ 1,845,240

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2012			
Cash and cash equivalents	$ 26,095	$ -	$ -
Corporate bonds and notes	-	441,581	-
Fixed income mutual funds	543,444	-	-
Equity mutual funds	405,520	-	-
Total assets	$ 975,059	$ 441,581	$ -
Interest rate swap agreement liability	$ -	$ 3,039,225	$ -
June 30, 2011			
Cash and cash equivalents	$ 6,395,454	$ -	$ -
U S Government Agency obligations	-	25,176	-
Corporate bonds and notes	-	435,702	-
Fixed income mutual funds	493,042		
Equity mutual funds	436,733	-	-
Deferred compensation trust			
Cash and cash equivalents	16,571	-	-
Fixed income mutual funds	119,241	-	-
Equity mutual funds	408,225	-	-
Total assets	$ 7,869,266	$ 460,878	$ -
Interest rate swap agreement liability	$ -	$ 1,845,240	$ -

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

Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the balance sheets, including cash and cash equivalents, net accounts receivable, assets limited as to use, other assets, accounts payable, accrued liabilities, derivative liabilities, other current and long-term liabilities, and variable rate long-term debt to be reasonable estimates of fair value either due to their length of maturity or the existence of variable interest rates underlying such financial instruments that approximate prevailing market rates at June 30, 2012 and 2011

Note 6 - Property and Equipment

A summary of property and equipment at June 30, 2012 and 2011, is as follows

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 1,164,024	$ -	$ 1,164,024	$ -
Land improvements	1,419,978	1,163,836	1,352,909	1,129,588
Buildings and improvements	51,729,252	26,220,564	50,179,690	24,777,545
Equipment	33,788,998	24,050,775	31,684,898	21,643,535
Construction in progress	186,248	-	356,356	-
	$ 88,288,500	$ 51,435,175	$ 84,737,877	$ 47,550,668
Net property and equipment		$ 36,853,325		$ 37,187,209

Construction in progress at June 30, 2012, consists of preliminary costs for various remodeling and construction projects There are no contractual commitments related to the projects at June 30, 2012

Note 7 - Investment in Affiliated Organizations

The Organization is a participant in the following affiliated organizations

Organization Name	Percent Ownership
Q and M Properties LLC	50 0%
Avera Community Clinic, Chamberlain	50 0%
Avera Nuclear Medicine Services of Mitchell	50 0%

The Organization's investments are accounted for on the equity method of accounting that approximates the Organization's equity in the underlying net book value of these organizations The Organization reported a net loss on its investments in affiliated organizations of $201,092 and $173,302 for the years ended June 30, 2012 and 2011, respectively

Summary balance sheet information, on a combined basis as of June 30, 2012 and 2011, is as follows

	2012	2011
Cash and cash equivalents	$ 7,699	$ 18,248
Other current assets	121,797	225,510
Land, buildings, and equipment - net	953,818	930,752
Total assets	$ 1,083,314	$ 1,174,510
Total current liabilities	$ 751,061	$ 648,804
Net assets/stockholders' equity	332,253	525,706
Total liabilities and net assets/members' equity	$ 1,083,314	$ 1,174,510

Summary income statement information, on a combined basis for the years ended June 30, 2012 and 2011, is as follows

	2012	2011
Total revenues	$ 726,271	$ 731,337
Total expenses	1,128,455	1,077,941
Net loss	$ (402,184)	$ (346,604)

Note 8 - Leases

The Organization leases certain equipment and buildings under various operating leases with terms of less than one year or cancelable upon written notice The Organization also has two lease agreements that have been recorded as capital leases The leased assets have a net book value of $259,049 and $289,525 as of June 30, 2012 and 2011 Total lease expense for all operating leases and rental agreements was $814,414 and $769,075, for the years ended June 30, 2012 and 2011

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

Year Ending June 30,	Capital Leases	Operating Leases
2013	$ 105,085	$ 503,755
Less interest	(4,328)	
Present value of minimum lease payments - Note 9	$ 100,757	

Note 9 - Long-Term Debt

	2012	2011
South Dakota Health and Educational Facilities Authority Series 2008A Variable Rate Demand Revenue Bonds, 0 03% to 0 27% during the fiscal year for a weighted average interest rate of 0 15%, varying annual installments to July 1, 2038, extinguished on May 1, 2012	$ -	$ 18,232,117
South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Demand Revenue Bonds, 1 01% to 1 07% during the fiscal year for a weighted average interest rate of 1 04%, interest only until July 1, 2014, then varying annual installments through initial tender date of May 1, 2017 with a stated maturity of July 1, 2033	-	4,030,000
Related party payables to Avera Health		
Variable Rate Demand Revenue Bonds Payable, Series 2008C	4,030,000	-
Revenue Bonds, Series 2012A	2,000,000	-
Revenue Bonds, Series 2012B	17,418,866	-
Capital lease obligations - Note 8	100,757	296,737
	23,549,623	22,558,854
Less current maturities	(177,060)	(628,655)
Long-term debt, less current maturities	$ 23,372,563	$ 21,930,199

Long-term debt maturities are as follows

Years Ending June 30,	
2013	$ 177,060
2014	527,393
2015	529,224
2016	365,590
2017	471,227
Thereafter	21,479,129
	$ 23,549,623

Obligated Group

The Organization is a member of the Avera Health Obligated Group (Obligated Group) On May 1, 2012, Avera Health, the sole corporate sponsor of the Organization, and Avera Marshall became members of the Obligated Group and became party to a Master Trust Indenture All members of the Obligated Group are jointly and severally obligated for various debt issues of the Obligated Group

Simultaneously with the changes to the Obligated Group discussed above, Avera Health, as agent for the Obligated Group, executed other financing transactions including the following

- Refinanced its Series 2002 bonds with proceeds from a portion of the Series 2012A bonds
- Refinanced its Series 2008A bonds with proceeds from Series 2012B bonds
- Executed a tender date extension on the Series 2008C bonds which are held by a financial institution
- Executed a term note with a financial institution dated May 1, 2012 (the "Series 2012C obligation") that was used to refinance the Series 2010A bonds that were issued for Avera Marshall

The financing transactions noted above were recorded by Avera Health, as Obligated Group agent, and sole corporate sponsor of the various members of the Obligated Group Avera Queen of Peace and other Obligated Group members have recorded their allocable share of the par amount of these debt transactions based on their respective underlying proceeds from the various debt issuances

Under the terms of the revenue bond loan agreements, Obligated Group members, including the Organization, have been required to maintain certain deposits with a trustee The loan agreements place limits on the incurrence of additional borrowings and requires that the Organization satisfy certain measures of financial performance as long as the bonds are outstanding

Note 10 - Interest Rate Swap

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

Reference	Maturity Date	Notional Amount	Organization Pays	Organization Receives	Fair Value 2012	Fair Value 2011
Swap A	2028	$ 11,754,592	3 87%	67% of LIBOR	$ (3,039,225)	$ (1,845,240)

The Organization entered into Swap A to effectively convert $11,754,592 of variable rate debt to synthetic fixed rate debt at the rate of 3 87%

Effective July 1, 2009, the Organization elected to discontinue the designation of Swap A as a cash flow hedge The net unrealized loss on the date of hedge accounting discontinuance of $1,580,439 is being prospectively reclassified into revenues in excess of expenses as future interest payments are made over the remaining term of the swap agreement For the year ended June 30, 2012 and 2011, a loss of $60,509 was reclassified into revenues in excess of expenses in connection with the hedging discontinuance The aggregate fair value of the swap agreement was recorded as a long term liability of $3,039,225 and $1,845,240 as of June 30, 2012 and 2011, respectively The change in fair value of $(1,193,985) and $308,019 for the years ended June 30, 2012 and 2011, respectively, was recorded to revenues in excess of expenses

The following table summarizes the derivative transactions reflected in the Organization's balance sheets and statements of operations for the years ended June 30, 2012 and 2011

	2012	2011
Long-term Liability		
Fair value of interest rate swap agreement	$ (3,039,225)	$ (1,845,240)
Revenues in Excess of Expenses		
Change in fair value of interest rate swap not designated as hedging instruments	(1,193,985)	308,019
Reclassification of unrealized loss on interest rate swap	(60,509)	(60,509)
Interest expense (net outflow of cash)	433,387	434,004
Other Changes in Net Assets		
Reclassification of unrealized loss on interest rate swap	60,509	60,509

Note 11 - Commitments

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

Years Ending June 30,	
2013	$ 15,000
2014	15,000
2015	15,000
2016	15,000
2017	15,000
Thereafter	48,750
	$ 123,750

Note 12 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011

	2012	2011
Funds restricted for capital purposes and various health care related programs and services	$ 1,981,585	$ 1,748,895

Permanently restricted net assets at June 30, 2012 and 2011, are restricted to

	2012	2011
Investments to be held in perpetuity, the income from which is expendable to support various health care services	$ 796,318	$ 795,318

Note 13 - Endowment

The Organization's endowments consist of a portion of their interest in the net assets of Avera Health Foundation and their beneficial interest in the Mabee Trust The Avera Health Foundation includes endowment funds which have been established for a variety of purposes The endowment fund assets included in the Organization's beneficial interest in the Mabee Trust have been established to purchase equipment and furnishings for the Organization As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions The Organization's permanently restricted portion of endowment funds are donor restricted and totaled $796,318 and $795,318 at June 30, 2012 and 2011, respectively The Organization's temporarily restricted portion of endowment funds for unappropriated earnings totaled $108,390 and $109,334 at June 30, 2012 and 2011, respectively The Organization's board designated endowment funds totaled $136,106 and $129,538 at June 30, 2012 and 2011, respectively

Interpretation of Relevant Law

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

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

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	$ -	$ 196,407	$ 793,583	$ 989,990
Change in interest in net assets of Avera Health Foundation	129,538	(87,073)	1,735	44,200
Endowment net assets, June 30, 2011	129,538	109,334	795,318	1,034,190
Change in interest in net assets of Avera Health Foundation	6,568	(944)	1,000	6,624
Endowment net assets, June 30, 2012	$ 136,106	$ 108,390	$ 796,318	$ 1,040,814

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration In accordance with generally accepted accounting principles, deficiencies of this nature are reclassified and reported in unrestricted net assets These deficiencies typically result from unfavorable market fluctuations that occur There were no such deficiencies that were deemed material as of June 30, 2012 and 2011

Return Objectives and Risk Parameters

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

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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

Note 14 - Self-Insurance Programs

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

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

The programs include a combination of self-insurance and commercial insurance The expenses of the Organization for contributions to the self-insurance portion of the programs were as follows for the years ended June 30, 2012 and 2011

	2012	2011
Health and dental	$ 5,762,742	$ 5,150,226
Professional liability	337,668	321,589
Workers' compensation	451,713	376,548
	$ 6,552,123	$ 5,848,363

Professional liability and workers' compensation claims have been asserted against the participating facilities and the program by various claimants The claims are in various stages of processing and some may ultimately be brought to trial Counsel is unable to conclude as to the ultimate outcome of the actions There are other known incidents occurring through June 30, 2012, that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past

There are also known health insurance claims that have been submitted subsequent to June 30, 2012, and it is likely there are also other claims that still have not been submitted for services provided prior to June 30, 2012

While it is possible that the settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the programs have provided, management believes that the excess liability, if any, should not materially affect the financial position of the Organization at June 30, 2012

Note 15 - Malpractice Insurance

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

Note 16 - Employee Benefit Plans

Eligible employees of certain Avera Health sponsored entities participate in the Retirement Plan for Employees of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota ("Defined Benefit Pension Plan – Career Average") and the Cash Balance Retirement Plan for Employees of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen South Dakota ("Defined Benefit Pension Plan – Cash Balance"), (collectively, the "Plans") The Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota, sponsor these multiemployer retirement plans In July 2000, qualified employees under the Defined Benefit Pension Plan – Career Average plan were provided a one-time irrevocable election to continue to participate in the Defined Benefit Pension Plan – Career Average plan or, alternatively, participate in a new Defined Benefit Pension Plan – Cash Balance plan The Plans are not subject to regulations requiring the filing of IRS Form 5500 The Plans' fiscal years are from January 1 to December 31

Defined Benefit Pension Plan – Career Average

Under the Career Average plan, employees in an eligible class who were in service on or after January 1, 1988 became active members on the first day of the month coinciding with or next following the date they met the eligibility requirements of age 21 and one year of service Pension benefits are based on a percentage of the employee's eligible earnings and are payable at retirement under several annuitized payment options During the years ended June 30, 2012 and 2011, Avera Queen of Peace contributed $1,261,137 and $1,305,723, respectively, to the Career Average plan

Defined Benefit Pension Plan – Cash Balance

Under the Cash Balance plan, employees first employed or reemployed after June 30, 2000 become active members on the first day of the month coinciding with or next following the date they meet the eligibility requirements of age 21 and one year of service Pension benefits are based on a percentage of the employee's eligible earnings and are payable at retirement under several annuitized payment options During the years ended June 30, 2012 and 2011, Avera Queen of Peace contributed $404,266 and $426,730, respectively, to the Cash Balance plan

The latest available information on the accumulated plan benefits and plan net assets available for benefits for the noncontributory defined benefit pension plan is presented below

Pension Plan	EIN	December 31, 2011 Plan Assets	December 31, 2011 Actuarial Present Value of Accumulated Plan Benefits	Year Ended December 31, 2011 Total Plan Contributions
Defined Benefit Pension Plan – Career Average	46-0253283	$ 240,835,597	$ 280,195,280	$ 14,027,590
Defined Benefit Pension Plan – Cash Balance	46-0253283	38,197,008	39,586,266	5,525,042
		$ 279,032,605	$ 319,781,546	$ 19,552,632

Defined Contribution Pension Plan

Eligible employees participate in a defined contribution pension plan ("403(b) Plan") Under the 403(b) Plan, participant contributions are matched up to 2% of eligible employee compensation The Organization recognized total 403(b) Plan contribution costs of $393,153 and $342,819 as part of employee benefits for the years ended June 30, 2012 and 2011

Note 17 - Related Party Transactions

Avera Health and its sponsors, the Benedictine and Presentation Sisters, operate various health care related organizations in addition to the Organization Material transactions between the Organization and these related organizations were as follows for the years ended June 30, 2012 and 2011

	2012	2011
Payments to related parties recorded by the Organization		
Equity transfers	$ 162,805	$ 129,511
Management and other services	3,628,018	3,318,514
Employee benefit programs	7,428,144	6,882,679
Professional liability and workers' compensation insurance programs	789,381	698,137
Balance sheet items		
Due from related party	58,491	132,484
Custodial funds due from related party	1,998,365	-
Accounts payable	531,372	705,202
Insurance premium payable (included in accounts payable)	390,148	336,250
Pension expense payable (included in accrued payroll taxes, withholdings, and other)	427,398	254,465
Long-term debt (including current portion)	23,448,866	-

Note 18 - Concentrations of Credit Risk

The Organization grants credit without collateral to its patients and residents, most of who are insured under third-party payor agreements The mix of receivables from third-party payors, patients and residents at June 30, 2012 and 2011, was as follows

	2012	2011
Medicare	36%	38%
Blue Cross	20%	16%
Medicaid	5%	6%
Commercial insurance	18%	19%
Other third-party payors, patients and residents	21%	21%
	100%	100%

The Organization's cash balances are maintained in various bank deposit accounts At various times during the years ended June 30, 2012 and 2011, the balances of these deposits were in excess of federally-insured limits

Note 19 - Functional Expenses

The Organization provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended June 30, 2012 and 2011, are as follows

	2012	2011
Health care services	$ 68,820,282	$ 62,577,694
General and administrative	15,777,065	14,492,303
Fundraising	119,201	127,022
	$ 84,716,548	$ 77,197,019

Note 20 - Business Combinations

During the years ended June 30, 2012 and 2011, the Organization purchased the operations of an independent diagnostic testing company, an independent family medicine practice, an independent internal medicine practice, and an independent medical clinic practice Accordingly, the results of operations from the entities have been included in the accompanying financial statements for the period subsequent to the acquisition dates

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

The total purchase prices were allocated to the acquired assets based on estimated fair value as of the respective purchase dates during the years ended June 30, 2012 and 2011 as follows

	2012	2011
Patient receivables, net	$ 162,119	$ 84,262
Other receivables	135,000	-
Supplies	5,712	6,146
Prepaid expenses	63,576	-
Property and equipment	108,217	77,488
Other intangible assets	101,896	127,104
Other assets	-	15,000
	$ 576,520	$ 310,000

Note 21 - Change in Accounting Principles

As of and for the year ended June 30, 2012, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, as allowable In accordance with the implementation guidance, the Organization retroactively applied the presentation requirements to 2011 The impact on 2011 was a decrease to total unrestricted revenues, gains, and other support of $2,384,264, and a decrease to total expenses of $2,384,264 in the consolidated statements of operations There was no impact on operating income or net assets

Note 22 - Subsequent Events

The Organization has evaluated subsequent events through October 3, 2012, the date which the financial statements were available to be issued