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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
SACRED HEART HEALTH SERVICES

Doing Business As
AVERA SACRED HEART HOSPITAL

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

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

D Employer identification number
46-0225483

E Telephone number
(605) 668-8000

G Gross receipts $ 111,629,435

F Name and address of principal officer
PAMELA J REZAC
501 SUMMIT STREET
YANKTON, SD 57078

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW AVERASACREDHEART COM

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

L Year of formation 1911

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**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	11
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	**5**	1,175
6	Total number of volunteers (estimate if necessary)	**6**	349
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	54,445
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	51,080

		Prior Year	Current Year
Revenue	**8** Contributions and grants (Part VIII, line 1h)	580,917	1,978,184
	9 Program service revenue (Part VIII, line 2g)	98,322,426	104,992,659
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	4,477,513	4,124,658
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-195,948	-299,709
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	103,184,908	110,795,792
Expenses	**13** Grants and similar amounts paid (Part IX, column (A), lines 1–3)	877,341	80,496
	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)	49,947,165	55,857,500
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b Total fundraising expenses (Part IX, column (D), line 25) ▶110,586		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	41,312,851	45,475,239
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	92,137,357	101,413,235
	19 Revenue less expenses Subtract line 18 from line 12	11,047,551	9,382,557

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	**20** Total assets (Part X, line 16)	230,597,519	243,651,187
	21 Total liabilities (Part X, line 26)	33,570,247	38,657,041
	22 Net assets or fund balances Subtract line 21 from line 20	197,027,272	204,994,146

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

****** 2013-05-13
Signature of officer — Date

PAMELA J REZAC PRESIDENT & CEO
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 $ 84,630,381 including grants of $ 80,496) (Revenue $ 104,992,659)

AVERA SACRED HEART HOSPITAL (SACRED HEART HEALTH SERVICES) LEADS DELIVERY OF HEALTHCARE TO ITS REGION THROUGH OVER 1,000 EMPLOYEES (AS WELL AS 62 PHYSICIANS ON ITS ACTIVE MEDICAL STAFF) WHO COORDINATE CARE TO DELIVER PATIENT CARE AS AN INTEGRATED UNIT AVERA SACRED HEART AND ITS AFFILIATES (REFERRED TO COLLECTIVELY AS SACRED HEART HEALTH SERVICES) ALSO WORK SEAMLESSLY TO MEET THE NEEDS OF THE COMMUNITIES THEY SERVE IN SOUTHEAST SOUTH DAKOTA AND NORTH EAST NEBRASKA IN ADDITION TO THE 144 BED HOSPITAL, AVERA SACRED HEART INCLUDES TWO NURSING HOMES AND A CONGREGATE HOUSING FACILITY, AND A 23-BED CRITICAL ACCESS HOSPITAL, LONG-TERM CARE FACILITY, AND 2 CLINICS IN CREIGHTON, NE IT ALSO MANAGES THREE HOSPITALS AND TWO NURSING HOMES AVERA SACRED HEART OPERATES UNDER THE TENETS OF THE ROMAN CATHOLIC CHURCH AND IN ACCORDANCE WITH THE PHILOSOPHY AND VALUES ESTABLISHED FOR AVERA HEALTH, A SPONSORED HEALTH MINISTRY OF THE BENEDICTINE AND PRESENTATION SISTERS AVERA SACRED HEART ENGAGES IN ACTIVITIES DESIGNED TO IMPROVE THE HEALTH OF THE INDIVIDUALS AND COMMUNITIES THAT IT SERVES IN RESPONSE TO A CALLING TO HEAL THE SICK, THE ELDERLY AND THE OPPRESSED REQUIREMENTS OF THE IRS COMMUNITY BENEFIT STANDARD FOR TAX-EXEMPT ORGANIZATIONS ARE INTEGRAL TO AVERA SACRED HEART HOSPITAL'S LARGER CHARITABLE MISSION OF IMPROVING HEALTH AND QUALITY OF LIFE SPECIFICALLY, AVERA SACRED HEART IS GOVERNED BY AN INDEPENDENT BOARD INCLUDING COMMUNITY LEADERS, BUSINESS AND CLINICAL HEALTHCARE EXPERTS THE BOARD HAS A HISTORY OF COMMITMENT TO ACT WITH THE HIGHEST INTEGRITY AND HAS BEEN PROACTIVELY EVALUATING OPPORTUNITIES TO VOLUNTARILY ADOPT GOVERNANCE BEST PRACTICES FOR THE BENEFIT OF THE COMMUNITY * SACRED HEART HEALTH SERVICES MAKES MEDICAL CARE ACCESSIBLE TO THE COMMUNITIES IT SERVES REGARDLESS OF ABILITY TO PAY, OF WHICH THERE WERE 14,087 HOSPITAL PATIENT DAYS AND 81,901 NURSING HOME RESIDENT DAYS IN FY '12 AVERA SACRED HEART HOSPITAL WAS NAMED BY HEALTHGRADES AS ONE OF THE TOP 10% HOSPITALS IN THE NATION FOR PROVIDING AN OUTSTANDING PATIENT EXPERIENCE, FIVE YEARS IN A ROW, WAS A FIVE-STAR RECIPIENT FOR TREATMENT OF HEART ATTACK FOR 2 YEARS IN A ROW 2012-2013, RANKED #2 IN SD FOR TREATMENT OF STROKE IN 2013, RANKED #1 IN SD FOR OVERALL PULMONARY SERVICES FOR 2 YEARS IN A ROW, FIVE-STAR RECIPIENT FOR CAROTID SURGERY IN 2013, RANKED #4 IN SD FOR GENERAL SURGERY IN 2013 AND RANKED #4 IN SD FOR GI SERVICES IN 2013 SACRED HEART HEALTH SERVICES OPERATES 2 FULL-TIME EMERGENCY DEPARTMENTS, WHICH PROVIDE EMERGENCY CARE REGARDLESS OF ABILITY TO PAY IN FY 2012, THERE WERE 10,896 VISITS AVERA SACRED HEART PROVIDES CLINICAL SERVICES NEEDED TO OPERATE THE EMERGENCY CENTER AND PROVIDES ON-SITE EMERGENCY MEDICAL, RESCUE AND MEDICAL TRANSPORTATION SERVICES IN ADDITION, AVERA SACRED HEART, THROUGH ITS INTEGRATED NETWORK OF PROVIDERS, PROVIDES NON-EMERGENCY SERVICES TO THE COMMUNITY IT SERVES IT MAKES THESE SERVICES ACCESSIBLE TO THE COMMUNITY THROUGH PARTICIPATION IN GOVERNMENT PROGRAMS LIKE MEDICARE AND MEDICAID, REGARDLESS OF ABILITY TO PAY AVERA'S CHARITY CARE POLICY PROVIDES DISCOUNTED AND FREE SERVICES TO PATIENTS WHO LACK THE RESOURCES TO BE FULLY RESPONSIBLE FOR THE HEALTH CARE THEY RECEIVE THE CHARITY CARE POLICY IS DESIGNED TO ENSURE THE COMMUNITIES SERVED BY AVERA FACILITIES HAVE ACCESS TO NEEDED HEALTHCARE SERVICES THE AVERA SACRED HEART BOARD OF DIRECTORS OVERSEES SERVICES DELIVERED UNDER THE CHARITY CARE POLICY INCLUDING ASSESSING COMMUNITY NEEDS, APPROVING ELIGIBILITY CRITERIA AND MONITORING THE EFFECTIVENESS OF THE PROGRAM IN PROVIDING COMMUNITY ACCESS TO MEDICAL CARE ELIGIBILITY FOR DISCOUNTED OR FREE SERVICES UNDER THE CHARITY CARE POLICY IS BASED ON INCOME LEVELS AND FAMILY SIZE APPLICATIONS FOR COVERAGE UNDER THE PROGRAM MAY BE OBTAINED AT ANY AVERA SACRED HEART PATIENT REGISTRATION AREA OR BY CALLING THE AVERA SACRED HEART OR AVERA CREIGHTON BUSINESS OFFICE SACRED HEART HEALTH SERVICES MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE LEVEL OF CARE PROVIDED UNDER THE CHARITY CARE POLICY SACRED HEART HEALTH SERVICES HAD CHARGES FORGONE FOR CHARITY FOR THE YEAR ENDED JUNE 30, 2012 OF APPROXIMATELY $1,975,000 SACRED HEART HEALTH SERVICES TAKES ITS MISSION TO IMPROVE THE HEALTH AND QUALITY OF LIFE OF THE PEOPLE IT SERVES A STEP FURTHER BY REACHING OUT TO MEET THE BROAD HEALTH NEEDS OF THE COMMUNITY IT STRIVES TO IDENTIFY COMMUNITY NEEDS BEYOND BASIC HEALTH CARE, RESPOND TO THEM, AIMING TO MAKE A POSITIVE, LIFE-ENHANCING DIFFERENCE IN THE COMMUNITY SACRED HEART HEALTH SERVICES TAKES A STRATEGIC, COMMUNITY NEEDS-BASED APPROACH TO DELIVERING BENEFITS TO THE COMMUNITY AVERA SACRED HEART HOSPITAL DEMONSTRATES ITS COMMITMENT TO PROVIDING COMMUNITY BENEFIT THROUGH SPECIFIC ACCOMPLISHMENTS E-TECHNOLOGY AVERA SACRED HEART STARTED WITH ITS EICU PROGRAM FIVE YEARS AGO EICU IS A TELEMEDICINE-BASED SYSTEM THAT AIDS IN THE CARE OF ICU PATIENTS AT AVERA SACRED HEART AND ACROSS THE AVERA SYSTEM PATIENTS RECEIVE CONSTANT, AROUND-THE-CLOCK MONITORING AND INTERVENTIONS FROM A REMOTE CARE TEAM IN ADDITION TO THE CARE THEY RECEIVE FROM THEIR BEDSIDE TEAM IN ADDITION, AVERA SACRED HEART HOSPITAL, ALONG WITH ST MICHAEL'S HOSPITAL/AVERA AND WAGNER COMMUNITY MEMORIAL HOSPITAL/AVERA, HAS LAUNCHED AN ESTROKE PROGRAM THAT WILL ENABLE PATIENTS SUFFERING STROKES TO BE MORE QUICKLY DIAGNOSED AND TREATED THROUGH THE USE OF TELEMEDICINE AVERA HAS ALSO IMPLEMENTED AN E-PHARMACY PROGRAM WHERE FACILITIES WITHOUT 24 HOUR A DAY PHARMACIST COVERAGE CAN ACCESS PHARMACIST SERVICES REMOTELY TEACHING HOSPITAL AVERA SACRED HEART IS A TEACHING HOSPITAL, WHICH REFLECTS A STRONG COMMITMENT TO EDUCATION, RESEARCH AND A HIGH LEVEL OF CARE IN THE SUMMER OF 2007, THE HOSPITAL OPENED THE NEW AVERA PROFESSIONAL OFFICE PAVILION & EDUCATION CENTER TO ENHANCE THEIR COMMITMENT TO MEDICAL EDUCATION THE AVERA PAVILION IS THE NEW HOME OF THE UNIQUE YANKTON AMBULATORY PROGRAM FOR THE THIRD-YEAR MEDICAL STUDENTS OF THE SANFORD SCHOOL OF MEDICINE OF THE UNIVERSITY OF SOUTH DAKOTA THE PROGRAM CHALLENGES MEDICAL STUDENTS TO SOLVE CLINICAL PROBLEMS AND EXPERIENCE THE DOCTOR-PATIENT RELATIONSHIP THROUGH THE YEAR YANKTON IS ONLY ONE OF THREE COMMUNITIES IN THE STATE WHERE A CAMPUS IS PROVIDED FOR THE SANFORD SCHOOL OF MEDICINE THE OFFICE FOR THE DEAN OF THE YANKTON AMBULATORY PROGRAM OF THE AVERA SACRED HEART YANKTON CAMPUS IS NOW LOCATED ON THE FIRST FLOOR OF THE PAVILION STUDY SPACE FOR THE MEDICAL STUDENTS IS ADJACENT TO THE ASHH MEDICAL LIBRARY A UNIQUE COMPONENT TO THE PAVILION IS THE EXPANSION AND ENHANCEMENT OF EDUCATIONAL FACILITIES ALONG WITH A 116-SEAT AUDITORIUM, THERE ARE ALSO THREE CONFERENCE ROOMS, ALL EQUIPPED WITH THE LATEST IN AUDIOVISUAL TECHNOLOGY (CONTINUED ON PAGE 8 OF SCHEDULE O)

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

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

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 84,630,381

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		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, 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	Yes	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** 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**	Yes	
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**	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	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**	Yes	
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**	Yes	
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	144		
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	1,175		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account 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	Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	Yes	
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	13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	11		
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 ▶

JAMIE A SCHAEFER
501 SUMMIT
YANKTON, SD 57078
(605) 668-8776

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) AMY FREEBURG CHAIR	2 00	X		X				0	0	0
(2) ROB STEPHENSON VICE CHAIR	2 00	X		X				0	0	0
(3) MICHAEL PIETILA BOARD MEMBER	2 00	X						0	0	0
(4) SR JEANNE ANNETTE WEBER BOARD MEMBER	2 00	X						0	0	0
(5) SR CORRINE LEMMER BOARD MEMBER	2 00	X						0	0	0
(6) BRAD DYKES BOARD MEMBER	2 00	X						0	0	0
(7) JOHN NAGENGAST BOARD MEMBER	2 00	X						0	0	0
(8) CHARLES CAMMOCK BOARD MEMBER	2 00	X						0	0	0
(9) MARTY JANS BOARD MEMBER	2 00	X						0	0	0
(10) SR LUCILLE WELBIG BOARD MEMBER	2 00	X						0	0	0
(11) SR LYNN MARIE WELBIG BOARD MEMBER	2 00	X						0	0	0
(12) WAYNE A KINDLE BOARD MEMBER	2 00	X						0	0	0
(13) PAMELA J REZAC PRESIDENT & CEO	60 00	X		X				0	442,362	51,187
(14) JAMIE A SCHAEFER SEC/TREAS & VP FINANCE	52 00			X				166,620	0	10,892
(15) DOUGLAS EKEREN VP NETWORK SERVICES	52 00				X			176,001	0	22,568
(16) MICHAEL PETERSON PHYSICIAN	40 00					X		441,667	0	44,408
(17) GREGORY TAYLOR PHYSICIAN	40 00					X		511,378	0	29,409

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) STEVE GUTNIK PHYSICIAN	40 00					X		671,270	0	26,819
(19) MICHAEL SCHURRER PHYSICIAN	40 00					X		266,565	0	47,967
(20) TERENCE PEDERSON PHYSICIAN	40 00					X		274,839	0	22,468
(21) BARBARA LARSON FORMER KEY EMPLOYEE - VP P	52 00						X	0	131,257	42,923

1b	**Sub-Total** . . . . . ▶			
c	**Total from continuation sheets to Part VII, Section A** . . . . ▶			
d	**Total (add lines 1b and 1c)** . . . . . ▶	2,508,340	573,619	298,641

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 ▶ 36

			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
YANKTON ANESTHESIOLOGY PC 1000 W 4TH ST SUITE 13 YANKTON, SD 57078	ANESTHESIOLOGISTS	1,579,788
AEGIS THERAPIES 7160 DALLAS PKWY SUITE 400 PLANO, TX 75024	CONTRACTED THERAPY	1,431,762
BROWNS MEDICAL IMAGING 14315 C CIR OMAHA, NE 68144	IMAGING	817,310
MEDICUS RADIOLOGY SERVICE 7 INDUSTRIAL WAY UNIT 5 SALEM, NH 03079	LOCUM RADIOLOGISTS	731,108
YANKTON MEDICAL CLINIC PC PO BOX 706 YANKTON, SD 57078	PROFESSIONAL SERVICES	513,978

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 ▶ 15

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	42,632			
	d	Related organizations	1d	50,000			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,885,552			
	g	Noncash contributions included in lines 1a-1f $ 84,233					
	h	**Total.** Add lines 1a-1f		1,978,184			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE RE	622110	102,234,935	102,234,935		
	b	OTHER REVENUE	900099	1,283,415	1,283,415		
	c	NONMEDICAL OUTREACH	900099	1,038,021	1,038,021		
	d	INTEREST IN BENEDICTIN	900099	281,972	281,972		
	e	INCOME FROM AFFILIATES	900099	154,316	99,871	54,445	
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		104,992,659			
	3	Investment income (including dividends, interest and other similar amounts)		127,901			127,901
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real	(ii) Personal			
	6a	Gross rents	277,852				
	b	Less rental expenses	748,648				
	c	Rental income or (loss)	-470,796				
	d	Net rental income or (loss)		-470,796			-470,796
			(i) Securities	(ii) Other			
	7a	Gross amount from sales of assets other than inventory	4,071,798				
	b	Less cost or other basis and sales expenses	0	75,041			
	c	Gain or (loss)	4,071,798	-75,041			
	d	Net gain or (loss)		3,996,757			3,996,757
Other Revenue	8a	Gross income from fundraising events (not including $ 42,632 of contributions reported on line 1c) See Part IV, line 18	a 20,050				
	b	Less direct expenses	b 9,954				
	c	Net income or (loss) from fundraising events		10,096			10,096
	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	INTEREST INCOME	900099	160,991			160,991
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		160,991			
	12	**Total revenue.** See Instructions		110,795,792	104,938,214	54,445	3,824,949

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	60,496	60,496		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	20,000	20,000		
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	439,994		439,994	
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	45,485,899	38,588,877	6,822,641	74,381
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,033,835	885,554	146,575	1,706
9	Other employee benefits	6,076,496	5,131,486	935,119	9,891
10	Payroll taxes	2,821,276	2,372,824	443,879	4,573
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	12,354,752	6,831,641	5,523,111	
12	Advertising and promotion	545,535	43,714	486,949	14,872
13	Office expenses	5,280,618	4,393,205	884,577	2,836
14	Information technology	112,014	44,130	67,884	
15	Royalties . .				
16	Occupancy	2,024,521	2,021,042	3,479	
17	Travel	578,090	463,767	113,758	565
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	543,720	176,011	367,268	441
20	Interest	855,460	855,460		
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	7,177,782	7,177,782		
23	Insurance	846,935	846,935		
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	9,958,287	9,958,287		
b	BAD DEBT EXPENSE	3,959,751	3,959,751		
c	EQUIPMENT LEASE AND REN	377,440	230,867	146,573	
d	FOOD TRANSFER	159,317	148,156	11,161	
e					
f	All other expenses	701,017	420,396	279,300	1,321
25	**Total functional expenses.** Add lines 1 through 24f	101,413,235	84,630,381	16,672,268	110,586
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		472,988	2	2,031,112
	3	Pledges and grants receivable, net		7,643	3	679
	4	Accounts receivable, net		17,893,469	4	17,826,710
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	60,417
	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	9,991,401
	8	Inventories for sale or use		1,375,571	8	2,353,157
	9	Prepaid expenses and deferred charges		562,347	9	834,949
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 139,309,082			
	b	Less accumulated depreciation	10b 81,885,139	55,269,163	10c	57,423,943
	11	Investments—publicly traded securities		9,234,176	11	9,111,837
	12	Investments—other securities See Part IV, line 11		143,519,679	12	141,923,137
	13	Investments—program-related See Part IV, line 11		797,178	13	952,712
	14	Intangible assets		640,839	14	638,945
	15	Other assets See Part IV, line 11		824,466	15	502,188
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		230,597,519	16	243,651,187
Liabilities	17	Accounts payable and accrued expenses		10,576,171	17	9,764,558
	18	Grants payable			18	
	19	Deferred revenue		909,526	19	567,529
	20	Tax-exempt bond liabilities		18,707,968	20	25,787,945
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*		15,732	21	15,312
	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		3,360,850	25	2,521,697
	26	**Total liabilities.** Add lines 17 through 25		33,570,247	26	38,657,041
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		184,247,593	27	191,500,652
	28	Temporarily restricted net assets		12,321,763	28	13,035,578
	29	Permanently restricted net assets		457,916	29	457,916
		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		197,027,272	33	204,994,146
	34	Total liabilities and net assets/fund balances		230,597,519	34	243,651,187

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	110,795,792
2	Total expenses (must equal Part IX, column (A), line 25)	2	101,413,235
3	Revenue less expenses Subtract line 2 from line 1	3	9,382,557
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	197,027,272
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-1,415,683
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	204,994,146

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
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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
SACRED HEART HEALTH SERVICES	46-0225483

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		14,231
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			14,231
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
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or 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	801,064	716,457	676,350	721,018	
b Contributions	5,310	1,120	540	11,570	
c Investment earnings or losses	-480	87,570	41,680	-18,197	
d Grants or scholarships					
e Other expenditures for facilities and programs	12,883	4,083	2,113	38,041	
f Administrative expenses					
g End of year balance	793,011	801,064	716,457	676,350	

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶ 57 740 %
- c Term endowment ▶ 42 260 %

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

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

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

Part VI 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		3,538,850		3,538,850
b Buildings		87,686,076	50,967,580	36,718,496
c Leasehold improvements				
d Equipment		40,389,500	27,608,507	12,780,993
e Other		7,694,656	3,309,052	4,385,604
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				57,423,943

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) ASSETS LIMITED TO USE - AVERA POOLED INVESTMENTS	140,888,394	F
(B) INVESTMENT IN AFFILIATED ORGANIZATION	1,034,743	C
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶	141,923,137	

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	
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	1,800,000
MARKET VALUE OF INTEREST RATE SWAP	721,697
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	2,521,697

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

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

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

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

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

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

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

Part XIV Supplemental Information

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

Identifier	Return Reference	Explanation
	PART IV, LINE 2B	RESIDENT TRUST FUNDS ARE HELD ON BEHALF OF THE RESIDENTS
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ORGANIZATION'S ENDOWMENT CONSISTS OF VARIOUS INDIVIDUAL FUNDS ESTABLISHED FOR A VARIETY OF PURPOSES ITS ENDOWMENT REPRESENTS DONOR-RESTRICTED ENDOWMENT FUNDS AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, NET ASSETS ASSOCIATED WITH ENDOWMENT FUNDS ARE CLASSIFIED AND REPORTED BASED ON THE EXISTENCE OR ABSENCE OF DONOR-IMPOSED RESTRICTIONS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X	THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED THE ORGANIZATION'S FEDERAL FORM 990T FILINGS ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2009

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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

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

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

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

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

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

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

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

		(a) Event #1 SIMPLY D'VINE (event type)	(b) Event #2 (event type)	(c) Other Events (total number)	(d) Total Events (Add col (a) through col (c))
Revenue	1 Gross receipts	62,682			62,682
	2 Less Charitable contributions	42,632			42,632
	3 Gross income (line 1 minus line 2)	20,050			20,050
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes				
	6 Rent/facility costs				
	7 Food and beverages	140			140
	8 Entertainment	450			450
	9 Other direct expenses	9,364			9,364
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(9,954)
	11 Net income summary Combine lines 3 and 10 in column (d) ▶				10,096

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

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

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

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

b If "No," Explain _____

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

b If "Yes," Explain _____

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

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

13 Indicate the percentage of gaming activity operated in

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

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

Name ▶

Address ▶

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

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

c If "Yes," enter name and address

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ $

Description of services provided ▶

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

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

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

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

Identifier	ReturnReference	Explanation

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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)		1,396	788,074		788,074	0 810 %
b Medicaid (from Worksheet 3, column a)		10,970	16,905,169	15,864,756	1,040,413	1 070 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		235	543,047	385,626	157,421	0 160 %
d **Total** Charity Care and Means-Tested Government Programs		12,601	18,236,290	16,250,382	1,985,908	2 040 %
Other Benefits						
e Community health improvement services and community benefit operations (from (Worksheet 4)	7	9,997	1,757,924	1,516,077	241,847	0 250 %
f Health professions education (from Worksheet 5)	2	12	197,744	65,077	132,667	0 140 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	2		374,003	74,116	299,887	0 310 %
j **Total** Other Benefits	11	10,009	2,329,671	1,655,270	674,401	0 700 %
k **Total.** Add lines 7d and 7j	11	22,610	20,565,961	17,905,652	2,660,309	2 740 %

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						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**						

Part III Bad Debt, Medicare, & Collection Practices

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	3,959,751		
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	30,496,436		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	33,955,288		
7	Subtract line 6 from line 5 This is the surplus or (shortfall)	7	-3,458,852		
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? 2

	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 SACRED HEART HOSPITAL 501 SUMMIT STREET YANKTON, SD 57078	X	X					X		
2	AVERA CREIGHTON HOSPITAL 1503 MAIN STREET CREIGHTON, NE 68729	X	X			X		X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices.

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

AVERA SACRED HEART 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 CREIGHTON HOSPITAL

Name of Hospital Facility: AVERA CREIGHTON HOSPITAL

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

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 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? **8**

	Name and address	Type of Facility (Describe)
1	AVERA YANKTON CARE CENTER 1212 W 8TH STREET YANKTON,SD 57078	LONG TERM CARE
2	AVERA SISTER JAMES CARE CENTER 2111 W 11TH STREET YANKTON,SD 57078	LONG TERM CARE
3	AVERA SACRED HEART MAJESTIC BLUFFS 2111 W 11TH STREET YANKTON,SD 57078	ASSISTED LIVING
4	AVERA SACRED HEART HOSPITAL-REHAB UNIT 501 SUMMIT STREET YANKTON,SD 57078	REHAB UNIT
5	AVERA CREIGHTON CARE CENTRE 1603 MAIN STREET CREIGHTON,NE 687292999	LONG TERM CARE
6	AVERA SACRED HEART HOSPITAL-DIALYSIS 501 SUMMIT STREET YANKTON,SD 57078	DIALYSIS UNIT
7	AVERA FOOT AND ANKLE 100 WEST 4TH ST YANKTON,SD 57078	PROVIDER-BASED CLINIC
8	AVERA YANKTON EAR NOSE & THROAT 409 SUMMIT YANKTON,SD 57078	PROVIDER-BASED CLINIC
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 A COMBINATION OF INCOME AND ASSETS TEST IS UTILIZED TO DETERMINE ELIGIBILITY FOR FREE OR DISCOUNTED CARE POINTS ARE ASSIGNED BASED ON INCOME AS A PERCENTAGE OF FPG AND NET ASSETS OWNED WITH POINTS DEDUCTED FOR ONGOING MEDICAL EXPENSES SUCH AS DRUGS PATIENTS WITH THE FEWEST POINTS RECEIVE THE LARGEST DISCOUNT 0-1 POINTS RECEIVE 100% DISCOUNT ON BILLS WHILE REMAINING DISCOUNTS RANGE FROM 10-90% DEPENDING ON POINT TOTALS AND DOLLAR AMOUNT OF CHARGES

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 BASED ON PRIOR YEAR MEDICARE COST REPORT UNREIMBURSED MEDICAID USES A COST TO CHARGE RATIO THAT INCLUDES OTHER ACTIVITIES BEYOND HOSPITAL INPATIENT THE AMOUNTS ON LINES 7E-I REPRESENT EXPENSES REPORTED IN THE GENERAL LEDGER AND COMPILED USING CBISA SOFTWARE

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) BAD DEBT EXPENSE OF $3,959,751 IS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) BUT EXCLUDED FOR PURPOSES OF CALCULATING THIS PERCENTAGE

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 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 PART III, LINES 5, 6, AND 7 THE MEDICARE REVENUES RECEIVED (LINE 5), ALLOWABLE COSTS (LINE 6), AND THE RESULTING SHORTFALL (LINE 7) DOES NOT INCLUDE A SIGNIFICANT PORTION OF THE ORGANIZATION'S EXPENSES THESE LINES REQUIRE USE OF THE MEDICARE COST REPORT AS PREPARED BY THE REQUIRED GUIDELINES WHICH DISALLOWS NUMEROUS COSTS OF HOSPITALS, PARTICULARLY IF THEY ARE PART OF AN INTEGRATED SYSTEM SUCH AS SACRED HEART HEALTH SERVICES IN THESE CASES THE ENTITY MUST FILE A HOME OFFICE COST REPORT WHICH "STEPS DOWN" OVERHEAD TO NON-COST REPORT ENTITIES DISPROPORTIONATELY TO ACTUAL ALLOWABLE SHARE AND ESSENTIALLY REMOVING THE COSTS FROM THE HOSPITAL'S COST REPORT ENTIRELY EXAMPLES OF NON-COST REPORT ENTITIES OPERATED BY SACRED HEART HEALTH SERVICES INCLUDE CLINICS, HOME MEDICAL EQUIPMENT STORE, LONG-TERM CARE FACILITIES, AND OTHER HEALTH CARE RELATED BUSINESSES THERE ARE ALSO COSTS COMPLETELY DISALLOWED BY COST REPORT RULES SUCH AS BAD DEBT EXPENSE, MARKETING, CRNA'S, AND INTEREST EXPENSE IN ADDITION TO THESE DISALLOWED COSTS WITHIN THE HOSPITAL, SACRED HEART HEALTH SERVICES OPERATES CLINICS, HOME MEDICAL EQUIPMENT STORE, LONG-TERM CARE FACILITIES, AND OTHER HEALTH CARE RELATED BUSINESSES WHICH DO NOT FILE A COST REPORT INCLUDING THE MEDICARE PERCENTAGE OF DISALLOWED COSTS, ENTITIES WHICH DON'T FILE A COST REPORT BUT NEVERTHELESS CARE FOR MEDICARE PATIENTS, AND THE IMPACT OF THE HOME OFFICE COST REPORT, THE MEDICARE SHORTFALL IS $6,720,726 AS OPPOSED TO A SHORTFALL OF $3,458,852 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 SACRED HEART HEALTH SERVICES FOLLOWS THE CHA GUIDELINES IN REPORTING COMMUNITY BENEFITS AND THEREFORE ANY MEDICARE SHORTFALL 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 ITS AGENT SHALL NOT SEND, NOR INDICATE THAT IT WILL SEND, THE UNPAID BILL TO ANY OUTSIDE COLLECTION AGENCY 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 SACRED HEART HEALTH SERVICES DOES NOT REPORT ANY DATA TO ANY OF THE CREDIT AGENCIES, HOWEVER, THE COLLECTION AGENCIES SACRED HEART HEALTH SERVICES UTILIZES MAY REPORT TO THE CREDIT AGENCIES ANY EXTENDED PAYMENT PLANS OFFERED BY THE HOSPITAL, OR THE HOSPITAL'S REPRESENTATIVE, IN SETTLING THE OUTSTANDING BILLS OF PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SHALL BE INTEREST-FREE SO LONG AS THE REPAYMENT SCHEDULE IS MET

Identifier	ReturnReference	Explanation
AVERA SACRED HEART HOSPITAL		PART V, SECTION B, LINE 13G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS PROVIDED ON THE BILLING INVOICES, IN THE EMERGENCY ROOM, WAITING ROOMS, IN THE ADMISSIONS OFFICE, AND TO PATIENTS UPON ADMISSION

Identifier	ReturnReference	Explanation
AVERA CREIGHTON HOSPITAL		PART V, SECTION B, LINE 13G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS PROVIDED ON THE BILLING INVOICES, IN THE EMERGENCY ROOM, WAITING ROOMS, IN THE ADMISSIONS OFFICE, AND TO PATIENTS UPON ADMISSION

Identifier	ReturnReference	Explanation
AVERA SACRED HEART 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 CREIGHTON 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 SACRED HEART 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 CREIGHTON 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 SACRED HEART 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 CREIGHTON 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 SACRED HEART HOSPITAL INCLUDES COMMUNITY MEMBERS ON COMMITTEES, BOARDS AND ADVISORY GROUPS TO ALLOW COMMUNITY REACTION AND INPUT IN THE ACTIONS WE TAKE WE ALSO REVIEW ALL DATA PROVIDED BY THE HEALTH DEPARTMENTS REGARDING DISEASE RATES, MORTALITY, MORBIDITY, POPULATION CHANGES, ETC THE HOSPITAL ALSO CONDUCTS FOCUS GROUPS, CONSUMER PERCEPTION STUDIES, AND PATIENT SATISFACTION SURVEYS TO IDENTIFY PRIMARY NEEDS OF THE COMMUNITY AND RESPOND WITH PREVENTATIVE/EDUCATIONAL INFORMATION OR ACTIVITIES FOR THE COMMUNITY THERE IS ONGOING PLANNING FOR A COMPREHENSIVE COMMUNITY NEEDS SURVEY WITH FOCUS GROUPS AND RAW DATA

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE BROCHURE "UNDERSTANDING YOUR HEALTH CARE BILLS" IS PROVIDED IN VISIBLE LOCATIONS EXPERIENCING HIGH VOLUMES OF INPATIENT OR OUTPATIENT REGISTRATIONS SUCH AS THE ADMITTING OFFICE, THE BILLING/BUSINESS OFFICE, AND EMERGENCY DEPARTMENT AS WELL AS THE ORGANIZATION WEBSITE PATIENTS ARE ALSO MADE AWARE OF POSSIBLE ELIGIBILITY WHEN GIVEN THE "PATIENT RIGHTS AND RESPONSIBILIES" BROCHURE UPON ADMISSION THE PATIENT ADVOCATE WORKS WITH UNINSURED/UNDERINSURED PATIENTS TO ENROLL THEM IN APPLICABLE SOCIAL SERVICE PROGRAMS AND/OR IDENTIFY CHARITY, COUNTY OR RISK POOL ELIGIBILITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 AVERA SACRED HEART HOSPITAL PRIMARILY SERVES THE CITY AND COUNTY OF YANKTON, SD AND THE SURROUNDING SOUTH DAKOTA COUNTIES OF BON HOMME, CHARLES MIX, CLAY AND HUTCHINSON, AND CEDAR COUNTY AND KNOX IN NEBRASKA U S CENSUS STATISTICS INDICATE THAT 8 7% OF THE CITY OF YANKTON'S INDIVIDUAL RESIDENTS FALL BELOW THE FEDERAL POVERTY GUIDELINES FOR FY 2012, 45% OF OUR REVENUE CAME FROM MEDICARE AND MEDICARE ADVANTAGE PLANS, AND 11% CAME FROM MEDICAID

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE HOSPITAL BOARD IS COMPRISED OF INDIVIDUALS WHO REPRESENT THE INTERESTS OF THE COMMUNITY SERVED BY THE ORGANIZATION THE HOSPITAL OFFERS STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY SELECTED SERVICES SUCH AS RADIATION ONCOLOGY, DESIGNATED REHABILITATION UNIT, AND SWINGBED SERVICES WOULD NOT BE AVAILABLE IN OUR SERVICE AREA UNLESS PROVIDED BY THE ORGANIZATION THE HOSPITAL SERVES ALL INDIVIDUALS REGARDLESS OF THEIR ABILITY TO PAY, PROVIDING 24 HOUR A DAY EMERGENCY SERVICES THE FACILITY PARTICIPATES IN THE EDUCATION OF MEDICAL STUDENTS FROM THE UNIVERSITY OF SOUTH DAKOTA THROUGH THEIR YANKTON LOCATION THE HOSPITAL ALSO OFFERS A 2 - YEAR RADIATION TECHNOLOGIST PROGRAM THAT GRADUATES APPROXIMATELY 6 STUDENTS PER YEAR SACRED HEART HOSPITAL ALSO PROVIDES CLINICAL EDUCATION FOR MOUNT MARTY COLLEGE STUDENTS BOTH PROGRAMS ARE RECOGNIZED EDUCATION PROGRAMS BY THE CENTERS FOR MEDICARE AND MEDICAID SERVICES THE HOSPITAL IS ALSO PROUD OF THE FACT THAT 338 INDIVIDUALS CHOSE TO VOLUNTEER AT THE FACILITY DURING FY 2012

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 AVERA IS A SPONSORED MINISTRY OF THE BENEDICTINE AND PRESENTATION SISTERS THE COMMUNITIES IN WHICH AVERA HEALTH OPERATES ALL HAVE UNIQUE HEALTH AND COMMUNITY BENEFITS NEEDS IN KEEPING WITH CATHOLIC HEALTH ASSOCIATION GUIDELINES, EACH HOSPITAL STRIVES TO MEET ITS COMMUNITY'S IDENTIFIED NEEDS THE CORPORATE STAFF OF AVERA HEALTH ADVOCATES FOR ALL MEMBERS REGARDING COMMUNITY BENEFIT RELATED MATTERS OF STATE, REGIONAL AND NATIONAL IMPORTANCE

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" 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) AVERA HEALTH3900 W AVERA DRIVE SIOUX FALLS,SD 57108	46-0422673	501(C)(3)	24,000				MEDICAL SCHOOL
(2) AVERA ST ANTHONY HOSPITAL FOUNDATION 300 N 2ND ST ONEILL,NE 68763	47-0463911	501(C)(3)	20,000				BUILDING PROJECT

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
(1) SCHOLARSHIPS	4	20,000			

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 ALSO TAX-EXEMPT THE ORGANIZATION ALSO PROVIDES SCHOLARSHIPS APPLICATION FORMS ARE CREATED BASED ON THE QUALIFICATIONS FOR WHICH THE SCHOLARSHIP IS BASED ADVERTISING IS DONE WHICH INCLUDES CRITERIA OF SCHOLARSHIP REQUIREMENTS AND DEADLINE A COMMITTEE IS FORMED FOR EACH SCHOLARSHIP RECIPIENTS FOR THE SCHOLARSHIP ARE BASED ON THEIR MERITS AND ACCOMPLISHMENTS COMMITTEE MEMBERS ARE IMPARTIAL AND A DECISION FOR THE RECIPIENT IS MADE BASED ON THE GROUP'S DECISION IN FYE 2012, 4 MEDICAL SCHOOL STUDENTS WERE CHOSEN FOR $5,000 SCHOLARSHIPS

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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
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropiate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items ☐ First-class or charter travel ☐ Housing allowance or residence for personal use ☐ Travel for companions ☐ Payments for business use of personal residence ☐ Tax idemnification and gross-up payments ☐ Health or social club dues or initiation fees ☐ Discretionary spending account ☐ Personal services (e g , maid, chauffeur, chef)			
b	If 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) PAMELA J REZAC	(i)	0	0	0	0	0	0	0
	(ii)	356,092	500	85,770	29,975	21,212	493,549	0
(2) JAMIE A SCHAEFER	(i)	143,658	7,796	15,166	0	10,892	177,512	0
	(ii)	0	0	0	0	0	0	0
(3) DOUGLAS EKEREN	(i)	146,412	8,192	21,397	0	22,568	198,569	0
	(ii)	0	0	0	0	0	0	0
(4) MICHAEL PETERSON	(i)	399,957	500	41,210	0	44,408	486,075	0
	(ii)	0	0	0	0	0	0	0
(5) GREGORY TAYLOR	(i)	468,676	330	42,372	0	29,409	540,787	0
	(ii)	0	0	0	0	0	0	0
(6) STEVE GUTNIK	(i)	577,454	460	93,356	0	26,819	698,089	0
	(ii)	0	0	0	0	0	0	0
(7) MICHAEL SCHURRER	(i)	228,175	12,929	25,461	0	47,967	314,532	0
	(ii)	0	0	0	0	0	0	0
(8) TERENCE PEDERSON	(i)	251,430	500	22,909	0	22,468	297,307	0
	(ii)	0	0	0	0	0	0	0
(9) BARBARA LARSON	(i)	0	0	0	0	0	0	0
	(ii)	112,364	7,637	11,256	0	42,923	174,180	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 SACRED HEART 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 K (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I Bond Issues

	(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	CITY OF CREIGHTON	47-6006152		12-15-2006	4,110,700	TO REFUND NOTE ISSUED 6/20/2005		X		X		X

Part II Proceeds

		A	B	C	D
1	Amount of bonds retired	792,880			
2	Amount of bonds defeased				
3	Total proceeds of issue	4,110,700			
4	Gross proceeds in reserve funds				
5	Capitalized interest from proceeds				
6	Proceeds in refunding escrow				
7	Issuance costs from proceeds				
8	Credit enhancement from proceeds				
9	Working capital expenditures from proceeds				
10	Capital expenditures from proceeds				
11	Other spent proceeds	4,110,700			
12	Other unspent proceeds				
13	Year of substantial completion	2006			

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III Private Business Use

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

Part III Private Business Use *(Continued)*

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X						
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X						
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	0 %							
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	0 %							
6	Total of lines 4 and 5	0 %							
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

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

Part V Procedures To Undertake Corrective Action

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

Part VI Supplemental Information

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

Identifier	Return Reference	Explanation

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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.

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Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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) GREGORY TAYLOR PHYSICIAN COMMUNITY NEEDS		X	100,000	60,417		No		No	Yes	
Total . . . . . ▶ $				60,417						

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) JANET JANS	SPOUSE OF BOARD MEMBER	51,904	EMPLOYEE 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 M (Form 990)

Department of the Treasury
Internal Revenue Service

NonCash Contributions

▶Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I Types of Property

		(a) Check if applicable	(b) Number of Contributions or items contributed	(c) Contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods	X		84,233	COST
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ (_____)				
26	Other ▶ (_____)				
27	Other ▶ (_____)				
28	Other ▶ (_____)				

29	Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement	29	0

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		No
b	If "Yes," describe the arrangement in Part II			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31		No
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell non-cash contributions?	32a		No
b	If "Yes," describe in Part II			
33	If the organization did not report revenues in column (c) for a type of property for which column (a) is checked, describe in Part II			

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

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
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	SR LUCILLE WELBIG AND PAMELA J REZAC HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE MEMBER OF THE ORGANIZATION IS AVERA HEALTH, A NONPROFIT CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF SOUTH DAKOTA AND EXEMPT UNDER 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	AVERA HEALTH, AS THE SOLE MEMBER, HAS THE POWER TO APPOINT AND REMOVE, WITH OR WITHOUT CAUSE, MEMBERS OF THE BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	AVERA HEALTH HAS THE FOLLOWING RIGHTS AS THE MEMBER 1) TO APPROVE THE ADOPTION, AMENDMENT OR REPEAL OF THE STATEMENTS OF PHILOSOPHY, MISSION AND VALUES OF CORPORATION, 2) TO INITIATE THE ADOPTION, AMENDMENT OR REPEAL OF ANY PROVISION OF THE ARTICLES OF INCORPORATION OR BYLAWS OF CORPORATION, AND TO GIVE FINAL APPROVAL OF ANY SUCH ACTION WITH RESPECT THERETO, 3) TO APPROVE AND ACT UPON THE ALIENATION OF REAL PROPERTY AND PRECIOUS ARTIFACTS UNDER THE CANONICAL STEWARDSHIP OF THE SISTERS OF THE PRESENTATION OF THE BLESSED VIRGIN MARY OF ABERDEEN, SOUTH DAKOTA ("PRESENTATION SISTERS") OR THE BENEDICTINE SISTERS OF SACRED HEART MONASTERY ("BENEDICTINE SISTERS"), PURSUANT TO THE POLICIES ESTABLISHED BY THE MEMBER, 4) TO APPROVE ANY PLAN OF MERGER, CONSOLIDATION OR DISSOLUTION OF THE CORPORATION, OR THE DIVESTITURE OF A SPONSORED WORK OR MINISTRY ASSOCIATED WITH THE CORPORATION, 5) TO APPROVE THE CREATION OF NEW SPONSORED WORKS OR MINISTRIES TO BE CONDUCTED BY OR UNDER THE AUTHORITY OF THE CORPORATION, 6) TO APPOINT AND REMOVE, WITH OR WITHOUT CAUSE, THE BOARD OF DIRECTORS OF THE CORPORATION 7) TO APPOINT AND/OR REMOVE, WITH OR WITHOUT CAUSE, THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE CORPORATION 8) TO APPROVE OPERATING/CAPITAL BUDGETS AND STRATEGIC PLANS OF THE CORPORATION 9) TO APPROVE EXPENDITURES OUTSIDE OF OPERATING AND CAPITAL BUDGETS EXCEEDING DEFINED THRESHOLDS ACCORDING TO POLICY WHICH MAY BE ADOPTED FROM TIME TO TIME BY THE MEMBER 10) TO APPROVE ACQUISITIONS, SALES AND LEASES, ACCORDING TO POLICY WHICH MAY BE ADOPTED FROM TIME TO TIME BY THE MEMBER 11) TO ESTABLISH AND MAINTAIN EMPLOYEE BENEFIT PROGRAMS 12) TO ESTABLISH AND MAINTAIN INSURANCE PROGRAMS 13) TO APPROVE MAJOR COMMUNITY FUND DRIVES 14) TO APPROVE THE APPOINTMENT OF AUDITORS 15) TO ADOPT POLICIES DESIGNED TO EFFECTUATE THE RESERVED POWERS OF THE MEMBER

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED INITIALLY BY THE CEO AND CFO THE RETURN IS MADE AVAILABLE TO THE BOARD OF DIRECTORS FOR REVIEW PRIOR TO FILING

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE CONFLICT OF INTEREST POLICY COVERS BOARD MEMBERS,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 BOARD MEMBERS 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 SYSTEM 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 OTHER OFFICERS, DIRECTORS, AND KEY EMPLOYEES IS REVIEWED ANNUALLY THE ORGANIZATION UTILIZES THE RESOURCES OF AN OUTSIDE INDEPENDENT AGENCY FOR MARKET COMPARABILITY THE COMPENSATION IS APPROVED WITHIN THE ANNUAL BUDGET APPROVED BY THE BOARD

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

Identifier	Return Reference	Explanation
	FORM 990, PART VII	IN ADDITION TO TIME SPENT SERVING SACRED HEART HEALTH SERVICES, PAMELA J REZAC, JAMIE A SCHAEFER, AND DOUGLAS EKEREN ALSO OVERSEE OPERATIONS OF THE RELATED AFFILIATES AS BOARD MEMBERS AND OFFICERS PAMELA J REZAC SERVES 1 HOUR PER WEEK AT SACRED HEART RURAL HEALTH CLINICS, INC AND LEWIS AND CLARK HEALTH EDUCATION AND ONE HALF HOUR PER WEEK AT HEALTH MANAGEMENT SERVICE JAMIE SCHAEFER SERVES ONE HOUR PER WEEK AT SACRED HEART RURAL HEALTH CLINICS, INC DOUGLAS EKEREN SERVES ONE HOUR PER WEEK AT SACRED HEART RURAL HEALTH CLINICS, INC AND LEWIS AND CLARK HEALTH EDUCATION AND ONE HALF HOUR PER WEEK AT HEALTH MANAGEMENT SERVICE SISTER LUCILLE WELBIG SERVES FIVE HOURS PER WEEK AT AVERA HEALTH AND 1 HOUR PER WEEK AT AVERA WORKERS' COMPENSATION TRUST, RELATED ORGANIZATIONS

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 5	NET UNREALIZED LOSSES ON INVESTMENTS -4,480,636 CAPITAL TRANSFERS, NET 3,710,363 NET ASSETS RELEASED FROM DONOR RESTRICTION -427,637 LOSS ON RETIREMENT OF DEBT -217,773 TOTAL TO FORM 990, PART XI, LINE 5 -1,415,683

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 SACRED HEART HEALTH SERVICES

Identifier	Return Reference	Explanation
	PART III, LINE 4A	(CONTINUED FROM PAGE 4 OF SCHEDULE O) RESIDENCY/HEALTH PROFESSIONS TRAINING AT ANY ONE TIME, 10 TO 15 SANFORD SCHOOL OF MEDICINE OF THE UNIVERSITY OF SOUTH DAKOTA MEDICAL STUDENTS ARE IN TRAINING AT AVERA SACRED HEART HOSPITAL IN ADDITION, STUDENTS IN NURSING, PHARMACY, PHYSICIAN ASSISTANT PROGRAMS, RADIOLOGY AND RESPIRATORY THERAPY ALSO AFFILIATE HERE AVERA SACRED HEART ALSO HAS A RADIOLOGY TECHNOLOGIST SCHOOL, WHICH GRADUATES 6 TO 8 NEW RADIOLOGY TECHNOLOGISTS EACH YEAR PREVENTIVE CARE A PRIORITY AVERA SACRED HEART HAS TAKEN STEPS TO ENHANCE PREVENTIVE CARE FOR PEOPLE OF ALL AGES THROUGH THE MANY EDUCATIONAL PROGRAMS, HEALTH SCREENINGS AND FAIRS THAT ARE HELD THROUGHOUT THE YEAR AVERA SACRED HEART HOLDS SCREENINGS THROUGHOUT THE REGION AT THEIR RURAL HEALTH CLINICS AS WELL AS IN YANKTON THE HOSPITAL IS NOW CONNECTED TO THE ASK-A-NURSE PROGRAM THAT PROVIDES GENERAL INFORMATION CONCERNING HEALTH-RELATED TOPICS OUR WEB SITE INCORPORATES THE "ADAM" SOFTWARE THAT PROVIDES A UNIQUE LEVEL OF HEALTH-RELATED INFORMATION TO THE CONSUMER IN 2009, AVERA SACRED HEART HOSPITAL INTRODUCED PLANET HEART (IN CONJUNCTION WITH THE AVERA HEART HOSPITAL) AND AN IN-HOUSE CARDIOVASCULAR SCREENING PACKAGE TO KEEP THE PEOPLE WE SERVED BETTER INFORMED ABOUT THEIR HEALTH BASED ON COMMUNITY NEEDS, WE ARE CONTINUALLY STRIVING TO PROVIDE MORE PREVENTATIVE TOOLS AND RISK ASSESSMENTS TO OUR POPULATION COMMUNITY EDUCATION AVERA SACRED HEART REACHES OUT TO PEOPLE AND COMMUNITIES THROUGHOUT SOUTHEASTERN SOUTH DAKOTA AND NORTHEASTERN NEBRASKA IN A VARIETY OF WAYS FOR THE PAST FIVE YEARS, AVERA SACRED HEART HAS PARTNERED WITH HYVEE FOODS OF YANKTON AND THE YANKTON PUBLIC SCHOOL SYSTEM TO PROMOTE BETTER EATING HABITS FOR STUDENTS AND CENTERED ON THE "MY PLATE" CONCEPT COMMUNITY FLU SHOT CLINICS ARE GENERALLY HELD THROUGHOUT THE REGION THROUGH WELL COORDINATED EFFORTS STATEWIDE WITH OTHER HOSPITALS AND STATE ENTITIES, AVERA SACRED HEART WAS ABLE TO EFFECTIVELY DISTRIBUTE THE VACCINE DOSES IT RECEIVED IN A TIMELY AND EFFICIENT MANNER WE ARE PROUD OF OUR CONTINUING 'TO BE WELL' HEALTH CARE EDUCATIONAL SERIES THAT PROVIDES EDUCATION TO THE COMMUNITY ON A VARIETY OF DISEASES AND CHRONIC CONDITIONS EDUCATIONAL SESSIONS ARE OFFERED TO MEDICAL STAFF, STUDENTS, EMPLOYEES, HEALTH CARE PROFESSIONALS, STUDENTS OF ALL LEVELS AND THE GENERAL PUBLIC UTILIZING THE AVERA PROFESSIONAL OFFICE PAVILION AND EDUCATION CENTER, HUNDREDS OF CLASSES INVOLVING THOUSANDS OF PEOPLE ARE PROVIDED AS A COMMUNITY SERVICE EACH YEAR OTHER EXAMPLES OF COMMUNITY EDUCATION INCLUDE OUR STUDENT/YOUTH MENTORING PROGRAMS AND PARISH NURSING PARTNERSHIPS WITH SCHOOLS, CHURCHES, BUSINESSES AND OTHER ORGANIZATIONS MAKE MANY OF THESE PROGRAMS POSSIBLE AS AN INTEGRATED ORGANIZATION, AVERA AND AVERA SACRED HEART ARE LEADERS IN THE IMPLEMENTATION OF THE ELECTRONIC PATIENT RECORD (EMR) IN FY 2012, SEVERAL NEW CLINICS WERE ADDED TO THE ASHH ELECTRONIC MEDICAL RECORD SYSTEM AS THE NATION MOVES TOWARD MORE INTEGRATED MEDICINE COMMITMENT TO QUALITY AVERA SACRED HEART IS ACCREDITED BY THE JOINT COMMISSION AND JUST RECEIVED ANOTHER THREE-YEAR ACCREDITATION IN 2011

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)

Identifier	Return Reference	Explanation
	FORM 990, PART VI, LINE 16	THERE IS NO WRITTEN POLICY OR PROCEDURE IN THE EVENT OF ANY SUCH PROPOSED TRANSACTION THE BOARD OR A COMMITTEE WITH DELEGATED AUTHORITY REVIEWS ALL MATERIALS, VALUATIONS AND OPERATIONAL ASPECTS FOR ANY PROPOSED TRANSACTION SUCH TRANSACTION WOULD BE EVALUATED IN ACCORDANCE WITH THE EXEMPT STATUS OF THE ORGANIZATION AND ITS APPLICABLE PURPOSES ANY TRANSACTION ALSO WOULD BE APPROVED BY THE BOARD AND THE MEMBER

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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
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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) VALLEY HEALTH SERVICES INC 501 SUMMIT STREET YANKTON, SD 57078 46-0357149	RENTAL REAL ESTATE	SD	N/A	C	79,983	1,526,380	100 000 %
(2) ACCOUNTS MANAGEMENT INC 5132 S CLIFF AVE SUITE 101 SIOUX FALLS, SD 57108 46-0373021	COLLECTION AGENCY	SD	N/A	C			
(3) AVERA HEALTH PLANS INC 3900 WEST AVERA DRIVE SIOUX FALLS, SD 57108 46-0451539	HEALTH FINANCING AND HEALTH PLAN ADMINISTRATION	SD	N/A	C			
(4) AVERA PROPERTY INSURANCE INC 610 W 23RD ST STE 1 PO BOX 38 YANKTON, SD 57078 46-0463155	INSURANCE	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.)

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III or IV			
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		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
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	Yes	
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	Yes	
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	Yes	
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	Yes	
q Other transfer of cash or property to related organization(s)	1q		No
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) See Additional Data Table			
(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: 46-0225483
Name: SACRED HEART HEALTH SERVICES

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	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 9	N/A		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	Yes	
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	Yes	
LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY 1000 W 4TH STREET SUITE 9 YANKTON, SD 57078 46-0337013	HEALTHCARE EDUCATION	SD	501(C)(3)	LINE 9	SACRED HEART HEALTH SERVICES	Yes	
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 SERVICES	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 ST MARSHALL, MN 56258 41-0919153	HEALTHCARE SERVICES	MN	501(C)(3)	LINE 3	AVERA HEALTH		No
AVERA MARSHALL FOUNDATION 300 S BRUCE ST 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
AVERA QUEEN OF PEACE HOSPITAL 525 N FOSTER STREET MITCHELL, SD 57301 46-0224604	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		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	
SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC 310 S PENNSYLVANIA ST ABERDEEN, SD 57401 46-0461429	SURGICAL ASSOCIATES	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 46-0488198	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	AVERA MCKENNAN	RELATED	183,898	1,492,275		No	54,445		No	23 000 %
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 EQUIPMENT 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 AVENUE 102 SIOUX FALLS, SD 57117 80-0619999	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
Q&M PROPERTIES 525 NORTH FOSTER MITCHELL, SD 57301 73-1652049	MEDICAL CLINIC BUILDING	SD	N/A									
HEART HOSPITAL OF SOUTH DAKOTA LLC 10720 SIKES PLACE SUITE 300 CHARLOTTE, NC 28277 56-2143771	HEALTHCARE SERVICES	NC	N/A									

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

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount Involved ($)	(d) Method of determining amount involved
(1) SACRED HEART RURAL HEALTH CLINICS	N	220,444	RECORDED IN GENERAL LEDGER
(2) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY	C	50,000	RECORDED IN GENERAL LEDGER
(3) SACRED HEART RURAL HEALTH CLINICS	R	550,000	RECORDED IN GENERAL LEDGER
(4) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY	K	103,301	RECORDED IN GENERAL LEDGER
(5) SACRED HEART RURAL HEALTH CLINICS	K	83,673	RECORDED IN GENERAL LEDGER
(6) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY	L	517,036	RECORDED IN GENERAL LEDGER
(7) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY	O	72,546	RECORDED IN GENERAL LEDGER
(8) SACRED HEART RURAL HEALTH CLINICS	P	145,688	RECORDED IN GENERAL LEDGER

Consolidated Financial Statements
June 30, 2012 and 2011

Sacred Heart Health Services
d/b/a Avera Sacred Heart Hospital

Sacred Heart Health Services
Table of Contents
June 30, 2012 and 2011

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Sacred Heart Health Services
d/b/a Avera Sacred Heart Hospital
Yankton, South Dakota

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital 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 disclosed in Note 21 to the consolidated 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, Sacred Heart Health Services has changed its presentation and disclosure of those financial statement elements

As disclosed in Note 21 to the consolidated financial statements, Sacred Heart Health Services adopted Accounting Standards Update No 2011-08, *Testing Goodwill for Impairment*, which changed the initial assessment of goodwill impairment to a qualitative assessment

Eide Bailly LLP

Sioux Falls, South Dakota
September 25, 2012

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	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 2,611,466	$ 1,132,480
Assets limited as to use	167,306	939,282
Receivables		
Patient and resident, net of estimated uncollectibles, charity, and other allowances of $16,400,000 in 2012 and $16,065,000 in 2011	16,791,486	17,109,470
Other	1,046,911	1,957,420
Supplies	2,353,157	1,442,521
Prepaid expenses	837,386	607,617
Custodial funds due from related party	9,991,401	-
Total current assets	33,799,113	23,188,790
Assets Limited as to Use		
By Board for capital improvements and debt redemption	137,096,661	137,518,910
Under indenture agreements	173,252	2,106,506
Donor restricted and other assets of Foundation division	13,232,506	12,775,928
	150,502,419	152,401,344
Less portion in current assets	(167,306)	(939,282)
Noncurrent assets limited as to use	150,335,113	151,462,062
Property and Equipment	58,287,058	56,616,324
Other Assets		
Other receivables	1,013,808	804,821
Other investments	2,476,243	4,344,928
Investment in affiliated organization	1,034,743	1,052,549
Deferred financing costs, net	-	266,993
Goodwill	632,157	632,157
Other assets	26,598	14,789
Total other assets	5,183,549	7,116,237
Total assets	$ 247,604,833	$ 238,383,413

See Notes to Consolidated Financial Statements

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 167,306	$ 610,521
Accounts payable		
Trade	4,373,764	4,814,189
Estimated third-party payor settlements	1,800,000	3,080,000
Accrued expenses		
Salaries and wages	2,046,707	2,328,715
Paid time off benefits	2,915,678	2,692,353
Taxes and withholdings	333,186	1,085,725
Interest	162,132	328,761
Deferred revenue and other	490,902	883,599
Total current liabilities	12,289,675	15,823,863
Long Term Debt, Less Current Maturities	25,620,639	18,097,447
Other Liabilities	721,697	410,850
Total liabilities	38,632,011	34,332,160
Net Assets		
Unrestricted	195,479,328	191,271,574
Temporarily restricted	13,035,578	12,321,763
Permanently restricted	457,916	457,916
Total net assets	208,972,822	204,051,253
Total liabilities and net assets	$ 247,604,833	$ 238,383,413

Sacred Heart Health Services
Consolidated Statements of Operations
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Revenue, Gains and Other Support		
Net patient service revenue	$ 102,031,008	$ 101,462,891
Provision for bad debts	(3,960,351)	(2,084,384)
Net patient service revenue less provision for bad debts	98,070,657	99,378,507
Other revenue	4,820,246	5,253,713
Total unrestricted revenue, gains and other support	102,890,903	104,632,220
Expenses		
Salaries and wages	46,671,411	45,693,484
Employee benefits	10,198,234	10,048,845
Supplies and fees	19,315,197	19,329,257
Repairs and maintenance	2,177,341	2,382,794
Other expenses	9,482,683	9,697,796
Insurance	852,013	825,656
Utilities and telephone	1,828,559	1,777,333
Interest	855,460	783,036
Depreciation and amortization	7,202,592	7,395,264
Total expenses	98,583,490	97,933,465
Operating Income	4,307,413	6,698,755
Other Income (Losses)		
Investment (loss) income	(118,487)	16,796,528
Net assets released from restrictions	427,637	223,565
Loss on extinguishment of long-term debt	(217,773)	-
Change in fair value of interest rate swap	(310,847)	77,840
Reclassification of accumulated losses on interest rate swap	(22,247)	(22,247)
Goodwill impairment	-	(104,494)
Loss on disposal of equipment	(79,567)	(194,134)
Other nonoperating loss	(160,799)	(246,486)
Rental loss, net	(536,729)	(512,975)
Other (losses) income, net	(1,018,812)	16,017,597
Revenues in Excess of Expenses	3,288,601	22,716,352
Reclassification of Accumulated Losses on Interest Rate Swap	22,247	22,247
Cumulative Effect of Change in Accounting Principle - Goodwill	-	(37,582)
Grants and Contributions for Capital Purposes	336,790	-
Net Assets Released From Restrictions for Capital Purposes	11,231	
Equity Transfers	548,885	(147,375)
Increase in Unrestricted Net Assets	$ 4,207,754	$ 22,553,642

Sacred Heart Health Services
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Revenues in excess of expenses	$ 3,288,601	$ 22,716,352
Reclassification of Accumulated Losses on Interest Rate Swap	22,247	22,247
Cumulative Effect of Change in Accounting Principle - Goodwill	-	(37,582)
Grants and Contributions for Capital Purposes	336,790	-
Net Assets Released From Restrictions for Capital Purposes	11,231	-
Equity Transfers	548,885	(147,375)
Increase in unrestricted net assets	4,207,754	22,553,642
Temporarily Restricted Net Assets		
Contributions	1,160,695	299,760
Investment (loss) income	(8,012)	1,393,155
Net assets released from donor restrictions	(438,868)	(223,565)
Increase in temporarily restricted net assets	713,815	1,469,350
Permanently Restricted Net Assets		
Contributions	-	1,120
Increase in Net Assets	4,921,569	24,024,112
Net Assets, Beginning of Year	204,051,253	180,027,141
Net Assets, End of Year	$ 208,972,822	$ 204,051,253

Sacred Heart Health Services
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	$ 4,921,569	$ 24,024,112
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	7,602,708	7,840,888
Loss on disposal of equipment	79,567	194,134
Net realized and unrealized gains and losses on investments	4,379,159	(13,383,933)
Loss on extinguishment of long-term debt	217,773	-
Change in fair value of interest rate swap	310,847	(77,840)
Loss due to change in accounting principle - transitional goodwill impairment	-	37,582
Equity transfers	(548,885)	147,375
Impairment of goodwill	-	104,494
Income from clinic collaborative arrangement	-	(72,232)
Earnings on equity method investments	(158,834)	(180,965)
Restricted contributions and investment earnings	(1,152,683)	(1,694,035)
Deferred income taxes	(13,703)	13,893
Change in assets and liabilities		
Receivables	1,019,506	(7,430,522)
Supplies	(910,636)	(292,050)
Prepaid expenses	(229,769)	(318,454)
Other assets	1,894	(8,682)
Accounts payable and estimated third-party payors	(2,787,355)	378,971
Accrued expenses	(977,851)	1,479,125
Deferred revenue and other	(392,697)	398,625
Net Cash from Operating Activities	11,360,610	11,160,486
Investing Activities		
Purchase of property and equipment	(8,296,469)	(8,637,985)
Purchases of assets limited as to use and other investments	(29,076,642)	(31,535,641)
Proceeds from sales and maturities of assets limited as to use and other investments	28,465,093	26,886,513
Distributions from affiliated organizations	176,640	127,650
Acquisition of healthcare organization	-	(935,721)
Accounts receivable from sale of collaborative agreement	-	740,310
Net Cash used for Investing Activities	(8,731,378)	(13,354,874)
Financing Activities		
Repayments on long-term debt	(15,330,539)	(506,588)
Proceeds from issuance of long-term debt	22,470,125	-
Equity transfers	548,885	(147,375)
Restricted contributions and investment gains and losses	1,152,683	1,694,035
Increase in custodial funds held by related party	(9,991,400)	-
Net Cash (used for) from Financing Activities	(1,150,246)	1,040,072

	2012	2011
Net Increase (Decrease) in Cash and Cash Equivalents	1,478,986	(1,154,316)
Cash and Cash Equivalents, Beginning of Year	1,132,480	2,286,796
Cash and Cash Equivalents, End of Year	$ 2,611,466	$ 1,132,480
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of interest capitalized of $141,910 in 2012 and $127,225 in 2011	$ 998,940	$ 769,094
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable - construction in progress	$ 1,066,930	$ 837,807
Business acquisitions		
Supplies	$ -	$ 199,527
Prepaid expenses	-	11,039
Property and equipment	-	4,342,826
Payroll liabilities	-	(75,000)
Long-term debt	-	(3,542,671)
Net cash paid	$ -	$ 935,721

Note 1 - Organization and Significant Accounting Policies

Organization

Sacred Heart Health Services (Organization), which operates as Avera Sacred Heart Hospital, is a voluntary not-for-profit Corporation that is licensed as a 144-bed acute care hospital, a 187-bed long-term care facility, and rural health clinics located in Yankton, South Dakota and the surrounding communities As of February 1, 2011, the Organization also operates a 23-bed acute care hospital and 47-bed long-term care facility, and rural health clinics in Creighton, Nebraska and the surrounding communities The Organization is structured as a South Dakota nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code The Organization operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established for Avera Health, the sole member of the Organization and a sponsored ministry of the Benedictine and Presentation Sisters

Consolidation

The consolidated financial statements for the years ended June 30, 2012 and 2011 include the accounts of Sacred Heart Health Services and the accounts of the following controlled organizations

- Health Management Services — a nonprofit organization
- Lewis and Clark Health Education and Service Agency d/b/a Avera Education and Staffing Solutions — a nonprofit organization
- Valley Health Services — a for-profit corporation

Significant inter-company accounts and transactions have been eliminated in the consolidation

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

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations Unpaid patient and resident receivables, excluding amounts due from third-party payors, with service discharge dates over 90 days old have interest assessed at 1 percent per month Due to the uncertainty of collecting private pay accounts, these interest charges are recognized as income when received 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 Receivable

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 four-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 $1,013,129 and $797,178 Physician notes receivables are included in other receivables on the balance sheets

Supplies

Supplies are stated 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 and assets held by a trustee under indenture agreements Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets

Donor Restricted and Other Assets of Foundation Division

The Organization holds and invests donor restricted funds and other assets that remain unspent Due to the restricted nature, the investments and cash and cash equivalents are classified as limited as to use within the balance sheets

Property and Equipment

Property and equipment acquisitions in excess of $1,000 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 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 net assets Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when 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 and straight-line methods Amortization of deferred financing costs is included in interest expense in the consolidated financial statements Accumulated amortization totaled $-0- and $301,022 for the years ended June 30, 2012 and 2011

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 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 investment 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

Investment in Affiliated Organizations

Investments in entities 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

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

Goodwill

On an annual basis and at interim periods when circumstances require, the Organization tests the recoverability of its goodwill The Organization has the option, when each test of recoverability is performed, to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount If the Organization determines that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then additional analysis is unnecessary If the Organization concludes otherwise, then a two-step impairment analysis, whereby the Organization compares the carrying value of each identified reporting unit to its fair value, is required The first step is to quantitatively determine if the carrying value of the reporting unit is greater than its fair value If the Organization determines that this is true, the second step is required, where the implied fair value of goodwill is compared to its carrying value

The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value The fair value of the reporting unit is estimated using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit The discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of respective reporting unit The Organization performs its test for recoverability for goodwill at the same time each year, unless circumstances require additional analysis There have been no impairment charges resulting from this review for the years ended June 30, 2012 and 2011

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 Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Center 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 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

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	$ 86,086,389	$ 90,119,621
Self-pay	15,944,619	11,343,270
Total all payors	$ 102,031,008	$ 101,462,891

Revenues In Excess of Expenses

Revenues in excess of expenses excludes transfers of assets to and from related parties for other than goods and services, contributions of long-lived assets, including assets acquired using contributions which were restricted by donors, and cumulative effects of changes in accounting principles

Charity Care

The Organization provides health care services to patients and residents who meet certain criteria under its Charity Care Policy without charge or at amounts less than 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 $937,000 and $1,085,000 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

Collaborative Arrangement

The Organization operated a clinic (O'Neill Family Medicine) under a joint operating agreement with Avera St Anthony's Hospital which was accounted for under the scope of ASC 808, *Collaborative Arrangements* The terms of the joint venture agreement generally provided for the equal allocation of profits and losses amongst the participants The Organization's statements of operations included the revenues and expenses of the clinic as it is considered the principal in the operating activity

During the year ended June 30, 2011, the Organization sold its interest in the collaborative arrangement to Avera St Anthony's Hospital As a result, the Organization discontinued its application of ASC 808, *Collaborative Arrangements*, related to the previously described agreement

The following table presents amounts attributable to the clinic included in the Organization's statements of operations for the years ended June 30, 2012 and 2011

	2012	2011
Net revenues	$ -	$ 2,616,152
Operating expenses	-	(2,688,384)
Decrease in net assets	$ -	$ (72,232)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets 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 reflected as unrestricted contributions in the statement of operations

Contributions Made

Unconditional promises to give cash and other assets are reported at fair value and recorded as liabilities at the date the promise is made Conditional promises to give and indications of intentions to give are reported at fair value at the date the conditions have been met or the date the gift is made

Advertising Costs

The Organization expenses advertising costs as incurred Advertising expenses totaled $545,194 and $641,614 for the years ended June 30, 2012 and 2011, respectively

Use of Estimates

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated 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 includes 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 consolidated balance sheets 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 reclassifications had no effect on previously reported operating results or changes in net assets

Note 2 - Loan Guarantees

As discussed in Note 11, 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 Payable, 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 Revenue Refunding 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 through 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

In addition, the Organization has entered into an agreement whereby it is the guarantor, as of June 30, 2012, for the following loan

Avera St Anthony's Revenue Bonds, Series 2000, 6 25%, due annually in increasing amounts through September 1, 2012	$ 350,000

As of June 30, 2012 and 2011, the Organization has reserved investments equal to the amount of the outstanding guarantee for the Avera St Anthony`s Revenue Bonds This amount is included with assets limited as to use on the balance sheets as of June 30, 2012 and 2011

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 is as follows

Medicare – PPS: Inpatient acute care, outpatient and rehab services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit These rates varied 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 the year end June 30, 2007

Medicare - CAH: Effective February 1, 2011, the Organization operates a facility that is licensed as a Critical Access Hospital (CAH) The facility is reimbursed for most inpatient and outpatient services on a cost-based methodology with final settlement determined after submission of the annual cost report by the hospital and is subject to audit thereof by the Medicare intermediary Exposure to Medicare cost report settlements begin as of the date of acquisition

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

Blue Cross (Wellmark): Services rendered to Blue Cross (Wellmark) subscribers are reimbursed under a prospectively determined percentage of charges and fixed payment rate methodologies

Medicare and Medicaid - Nursing Home: 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 resident 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 36% and 5% of the Organization's net patient service revenue for the year ended June 30, 2012 and 34% and 5% 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

During the year ended June 30, 2012, net patient service revenue increased by $720,224 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 hospital 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	$ 198,304,274	$ 198,089,536
Contractual adjustments		
Medicare	(54,195,818)	(54,814,301)
Medicaid	(14,406,646)	(12,324,874)
Blue Cross	(9,523,823)	(8,409,339)
Other	(18,146,979)	(21,078,131)
Total contractual adjustments	(96,273,266)	(96,626,645)
Net patient and resident service revenue	102,031,008	101,462,891
Provision for bad debts	(3,960,351)	(2,084,384)
Net patient and resident service revenue less provision for bad debts	$ 98,070,657	$ 99,378,507

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
By Board for capital improvements and debt redemption		
Cash and cash equivalents	$ 2,521,496	$ 823,802
Certificates of deposit	1,098,109	1,097,521
Interest in Pooled Investment Fund *	132,970,610	135,039,960
Other assets	502,188	557,473
Accrued interest receivable	4,258	154
	$ 137,096,661	$ 137,518,910
Under indenture agreement - held by trustee		
Cash and cash equivalents	$ 173,252	$ 992,219
U S Treasury obligations	-	1,114,287
	173,252	2,106,506
Less amount shown as current	(167,306)	(939,282)
	$ 5,946	$ 1,167,224
Donor restricted and other assets of Foundation division		
Cash and cash equivalents	$ 167,718	$ 174,758
Certificates of deposit	3,842,748	3,807,126
Interest in Pooled Investment Fund *	7,917,784	7,427,171
Mutual funds and other	1,304,256	1,366,873
	$ 13,232,506	$ 12,775,928

Pooled Investment 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 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%

Other Investments

The composition of other investments at June 30, 2012 and 2011, is set forth in the following table

	2012	2011
Other investments		
Cash and cash equivalents	$ 816,885	$ 817,147
Interest in Pooled Investment Fund *	1,439,540	3,308,462
Certificates of deposit	219,818	219,319
	$ 2,476,243	$ 4,344,928

Investment Income

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

	2012	2011
Other revenue		
Interest income	$ 167,952	$ 176,211
Other income		
Interest, dividend income, and net realized gains and losses	$ 4,260,672	$ 3,412,595
Change in unrealized gains and losses on investments	(4,379,159)	13,383,933
	$ (118,487)	$ 16,796,528

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	$ 3,679,351	$ 2,807,926
US Treasury obligations	-	1,114,287
Mutual funds and other	1,304,256	1,366,873
Other assets	502,188	557,473
Total assets	$ 5,485,795	$ 5,846,559
Interest rate swap agreement liability	$ 721,697	$ 410,850

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	$ 3,679,351	$ -	$ -
Mutual funds and other	1,304,256	-	-
Other assets	272,791	229,397	-
Total assets	$ 5,256,398	$ 229,397	$ -
Interest rate swap agreement liability	$ -	$ 721,697	$ -
June 30, 2011			
Cash and cash equivalents	$ 2,807,926	$ -	$ -
US Treasury obligations	1,114,287	-	-
Mutual funds and other	1,366,873	-	-
Other assets	323,073	234,400	-
Total assets	$ 5,612,159	$ 234,400	$ -
Interest rate swap agreement liability	$ -	$ 410,850	$ -

The fair value for cash and cash equivalents, U S Treasury obligations, and mutual funds and other is determined by reference to quoted market prices The fair value of other assets is determined by reference to the quoted market value of the underlying assets The fair value of the interest rate swap is based upon the related LIBOR swap rates during the term of the swap agreement

Note 6 - Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the consolidated balance sheets, including cash & 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

The Organization`s fixed rate long-term debt, including current portion, has a carrying amount that differs from its estimated fair value The fair value of the Organization`s fixed rate long-term debt is determined by references to trading activity for underlying debt instruments or if unavailable, estimated using discounted cash flow analyses, based on the Organization`s effective borrowing rates at respective reporting dates for similar types of arrangements As a result of the extinguishment of debt during the year ended June 30, 2012, the Organization no longer carries fixed rate with differences to trading activity The carrying value of the Organization`s fixed rate debt is $-0- and $12,050,382 as of June 30, 2012 and 2011, respectively The fair value of the Organization`s fixed rate debt is estimated to be $-0- and $12,234,028 as of June 30, 2012 and 2011, respectively

Note 7 - Property and Equipment

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

	2012		2011	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and improvements	$ 9,713,305	$ 3,309,052	$ 9,609,375	$ 3,139,034
Buildings	88,220,400	51,147,942	85,329,976	47,889,866
Equipment	40,461,194	27,667,067	39,315,786	27,540,633
Projects and construction in process	2,016,220	-	930,720	-
	$ 140,411,119	$ 82,124,061	$ 135,185,857	$ 78,569,533
Net property and equipment		$ 58,287,058		$ 56,616,324

Projects and construction in progress at June 30, 2012 primarily represents costs incurred for the expansion of the Organization`s facility and construction of the operating rooms at the Avera Creighton Hospital The estimated cost to complete these projects is approximately $12 6 million The Avera Creighton Hospital operating room construction project is expected to be completed during the year ended June 30, 2013 and the expansion project is expected to be completed during the year ended June 30, 2014 These projects will be financed with proceeds from the Avera Health 2012 bond issue and the Organization's funds

Note 8 - Investment in Affiliated Organization

The Organization's investment in affiliated organization consists of a 23% ownership interest in Avera Home Medical Equipment LLC The investment is accounted for on the equity method of accounting that approximates the Organization's equity in the underlying net book value of the company A summary of the financial statements for this entity as of June 30, 2012 and 2011, and for the years then ended, is as follows

	2012	2011
Cash and cash equivalents	$ 103,323	$ 1,434,094
Other current assets	3,590,219	2,616,023
Land, property, and equipment - net	803,073	822,952
Other non-current assets	1,278,295	754,776
Total assets	$ 5,774,910	$ 5,627,845
Total current liabilities	$ 1,276,031	$ 1,051,548
Member's equity	4,498,879	4,576,298
Total liabilities and member's equity	$ 5,774,910	$ 5,627,846
Total revenues	$ 6,511,822	$ 6,416,331
Total expenses	5,821,241	5,629,527
Net income	$ 690,581	$ 786,804

Note 9 - Leases

The Organization leases certain equipment and space under various operating leases with terms of less than one year or cancelable upon written notice Total lease expense for the years ended June 30, 2012 and 2011 for all operating leases and rental agreements was $584,600 and $598,264

Note 10 - Long-Term Debt

Long-term debt consists of

	2012	2011
	$ -	$ 12,050,382
	-	59,609
	-	3,120,000
	3,205,925	3,360,667
	111,895	117,310
	3,120,000	-
	19,350,125	-
	25,787,945	18,707,968
	(167,306)	(610,521)
	$ 25,620,639	$ 18,097,447

Long-term debt maturities are as follows

Years Ending June 30,	
2013	$ 167,306
2014	578,326
2015	686,245
2016	851,655
2017	818,037
Thereafter	22,686,376
	$ 25,787,945

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 Sacred Heart Health Services 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 11 - 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 fluctuations 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	2033	$ 2,552,781	3 915%	67% of LIBOR	$ (721,697)	$ (410,850)

The Organization entered into Swap A to effectively convert $2,552,781 of variable rate debt to synthetic fixed rate debt at a rate of 3 915%

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 $369,482 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 years ended June 30, 2012 and 2011, $22,247 was reclassified into revenues in excess of expenses related to the hedging discontinuance The aggregate fair value of the swap agreement was recorded as a long term liability of $721,697 and $410,850 as of June 30, 2012 and 2011, respectively The change in fair value of $(310,847) and $77,840 was recorded in revenues in excess of expenses for the years ended June 30, 2012 and 2011, respectively

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

	2012	2011
Long-term Liability		
Fair value of interest rate swap agreement	$ 721,697	$ 410,850
Revenues in Excess of Expenses		
Change in fair value of interest rate swap not designated as hedging instrument	(310,847)	77,840
Reclassification of unrealized loss on interest rate swap	(22,247)	(22,247)
Interest expense (net outflow of cash)	95,851	95,354
Other Changes in Net Assets		
Reclassification of unrealized loss on interest rate swap	22,247	22,247

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 projects and various health care related programs and services	$ 13,035,578	$ 12,321,763

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	$ 457,916	$ 457,916

Note 13 - Endowments

The Organization's endowments consist of various individual funds established for a variety of purposes Its endowments represent donor-restricted endowment funds As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

Interpretation of Relevant Law

The Organization's Board of Directors 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 Organization 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 Organization
(7) The investment policies of the Organization

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 at beginning of year, July 1, 2010	$ -	$ 259,661	$ 456,796	$ 716,457
Investment return	-	87,570	-	87,570
Contributions	-	-	1,120	1,120
Appropriation of endowment assets for expenditure	-	(4,083)	-	(4,083)
Endowment net assets at end of year, June 30, 2011	-	343,148	457,916	801,064
Investment return	-	(480)	-	(480)
Contributions	-	5,310	-	5,310
Appropriation of endowment assets for expenditure	-	(12,883)	-	(12,883)
Endowment net assets at end of year, June 30, 2012	$ -	$ 335,095	$ 457,916	$ 793,011

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

The Organization has adopted investment and spending policies for endowment assets that attempt to provide available resources 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 Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce acceptable market returns while assuming a moderate level of investment risk Actual returns in any given year may vary from this amount

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization does not have a formal policy for appropriating for distribution any earnings from endowment assets The Organization appropriates funds on a project by project basis during the year with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return

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	$ 5,599,550	$ 5,444,721
Professional liability	378,312	360,297
Workers' compensation	499,739	430,030
	$ 6,477,601	$ 6,235,048

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 Pension Plan

The Organization has a defined contribution pension plan under which employees become participants upon reaching age 21 and completion of one year of service Employees may elect to voluntarily contribute up to 10% of their compensation Pension expense determined in accordance with the plan formula (4% of eligible covered compensation) was $1,287,251 and $1,229,593 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 parties were as follows for the years ended June 30, 2012 and 2011

	2012	2011
Payments to (from) related parties recorded by the Organization		
Equity transfers	$ (548,885)	$ 147,375
Management and other services	4,166,682	3,583,016
Self insurance programs	6,477,601	6,235,048
Income recorded by the Organization		
Consulting fees and other	1,762,303	1,292,578
Balance Sheets		
Other receivables	669,842	948,402
Custodial funds due from related party	9,991,401	-
Accounts payable	1,307,182	897,003
Insurance premium payable	16,471	734,773
Related party payables to Avera Health	22,470,125	-

Note 18 - Concentration 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	35%	38%
Blue Cross	12%	13%
Medicaid	11%	9%
Commercial insurance	12%	16%
Other third-party payors, patients and residents	30%	24%
	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 health care services to residents within its geographic location Expenses related to providing these services by functional class for the years ended June 30, 2012 and 2011, are as follows

	2012	2011
Health care services	$ 82,684,064	$ 82,701,514
General, administrative and support services	15,802,354	15,125,633
Fundraising	97,072	106,318
	$ 98,583,490	$ 97,933,465

Note 20 - Business Combination

The Organization purchased the operations of Creighton Area Health Services on February 1, 2011 Accordingly, the results of operations have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date

The aggregate acquisition price included the operations, supplies, property and equipment, and obligations of long term debt and payroll liabilities The value of the operations, supplies, property and equipment, long term debt, and payroll liabilities is based on the estimated fair market value as of the date of acquisition

The total purchase price was allocated to the acquired assets and liabilities based on estimated fair value as of the respective purchase date as follows

	2011
Assets	
Supplies	$ 199,527
Prepaid expenses	11,039
Property and equipment	4,342,826
Total assets acquired	$ 4,553,392
Liabilities	
City of Creighton Health Care Facility Revenue Bonds, Series 2006A	$ 3,423,175
City of Creighton Health Care Facility Revenue Bonds, Series 2006B	119,496
Payroll liabilities	75,000
Total liabilities assumed	$ 3,617,671
Total acquisition price	$ 935,721

Note 21 - Change in Accounting Principles

During the year ended June 30, 2012, the Organization early 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 revenues, gains, and other support of $2,084,384, and a decrease to total expenses of $2,084,384 in the consolidated statements of operations There was no impact on operating income or net assets

During the year ended June 30, 2012, the Organization early adopted the provisions of FASB ASU No 2011-08, *Intangibles—Goodwill and Other (Topic 350) Testing Goodwill for Impairment*, as allowable Under the standard, an entity may elect to initially assess qualitative factors in determining whether it is more likely than not that goodwill may be impaired The adoption of the standard had no impact on recorded assets, liabilities, or changes in net assets

Note 22 - Subsequent Events

The Organization has evaluated subsequent events through September 25, 2012, the date which the financial statements were available to be issued