



See a Social Security Number? Say Something!  
Report Privacy Problems to <https://public.resource.org/privacy>  
Or call the IRS Identity Theft Hotline at 1-800-908-4490



<b>Form 990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047
	<b>The organization may have to use a copy of this return to satisfy state reporting requirements</b>	<div> <b>2012</b>  <b>Open to Public Inspection</b> </div>

**A For the 2012 calendar year, or tax year beginning 06-01-2012 , 2012, and ending 05-31-2013**

<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization PRAIRIE LAKES HEALTH CARE SYSTEM INC		<b>D</b> Employer identification number 46-0391067
	Doing Business As		
	Number and street (or P O box if mail is not delivered to street address) PO BOX 1210	Room/suite	<b>E</b> Telephone number (605) 882-7000
	City or town, state or country, and ZIP + 4 WATERTOWN, SD 57201		<b>G</b> Gross receipts \$ 103,527,713
	<b>F</b> Name and address of principal officer JILL FULLER PO BOX 1210 WATERTOWN, SD 57201		<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)  <b>H(c)</b> Group exemption number ▶
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>J</b> Website: ▶ WWW.PRAIRIELAKES.COM	

## Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities HEALTH CARE SERVICES		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	13
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	9
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	568
	6 Total number of volunteers (estimate if necessary)	6	200
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	971,412
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	0
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	226,880	221,819
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	78,930,177	76,847,038
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,029,479	7,926,738
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	2,094,818	1,280,572
		85,281,354	86,276,167
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	155,832	150,067
	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)	33,433,689	34,654,662
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	16b Total fundraising expenses (Part IX, column (D), line 25) $\rightarrow$ 0		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	36,004,779	35,071,365
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	69,594,300	69,876,094
	19 Revenue less expenses Subtract line 18 from line 12	15,687,054	16,400,073
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	181,017,131	211,469,945
	21 Total liabilities (Part X, line 26)	32,586,154	30,712,094
	22 Net assets or fund balances Subtract line 21 from line 20	148,430,977	180,757,851

## 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.

<b>Sign Here</b>	*****			2014-02-18	
	Signature of officer			Date	
<b>Paid Preparer Use Only</b>	ADAM PAUL CFO				
	Type or print name and title				
	Print/Type preparer's name ROBERT E SCHILE		Preparer's signature		Date
	Firm's name   ▶ CLIFTONLARSONALLEN LLP		Check <input type="checkbox"/> if self-employed		PTIN P00369682
	Firm's address ▶ 220 SOUTH SIXTH STREET SUITE 300 MINNEAPOLIS, MN 55402			Firm's EIN ▶ 41-0746749 Phone no (612) 376-4500	


















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

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

Form **990** (2012)

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 <b>Section 501(c)(3) organizations.</b> 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	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	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 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	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 and XII 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, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		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	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . .	35b		
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> 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.	79	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		
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.	568	
2b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
3b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		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?		No
5b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
5c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
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 as charitable contributions?		No
6b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
7a	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?		No
7b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
7c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		No
7d	If "Yes," indicate the number of Forms 8282 filed during the year.		
7e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
7f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
7g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
7h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
9a	Did the organization make any taxable distributions under section 4966?		
9b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10	<b>Section 501(c)(7) organizations.</b> Enter		
10a	Initiation fees and capital contributions included on Part VIII, line 12.		
10b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		
11	<b>Section 501(c)(12) organizations.</b> Enter		
11a	Gross income from members or shareholders.		
11b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?		
12b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		
13	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
13a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.		
13b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		
13c	Enter the amount of reserves on hand.		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		No
14b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		

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	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	9	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	No
b	Describe in Schedule O the process, if any, used by the organization to review this 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	Yes
b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
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 during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ADAM PAUL 401 9TH AVENUE NW WATERTOWN, SD (605) 882-7000

Part VII

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

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

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

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation 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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) JOHN CALVIN BOARD MEMBER	1 00	X						0	0	0
(2) ROGER CARTER MD BOARD MEMBER	1 00	X						0	0	0
(3) DUSTIN FLATTEN BOARD TREASURER	1 00	X		X				0	0	0
(4) VINCE FOLEY BOARD MEMBER	1 00	X						0	0	0
(5) CATHERINE GERRISH MD BOARD MEMBER	1 00	X						0	0	0
(6) BERNIE HANSON MD BOARD MEMBER	1 00	X						0	0	0
(7) GEOFF HEIG BOARD SECRETARY	1 00	X		X				0	0	0
(8) MONTE HOPPER BOARD CHAIR	1 00	X		X				0	0	0
(9) JIM REDLINGER BOARD MEMBER	1 00	X						0	0	0
(10) GERALD RIEBER MD BOARD MEMBER	1 00	X						0	0	0
(11) MARK ROBY BOARD VICE CHAIR	1 00	X		X				0	0	0
(12) DOUGLAS SHARP BOARD MEMBER	1 00 1 00	X						0	0	0
(13) LUANN STRAIT BOARD MEMBER	1 00 2 00	X						0	0	0
(14) JILL FULLER CEO	40 00 2 00			X				470,175	0	28,364
(15) ADAM PAUL CFO	40 00			X				248,532	0	13,473
(16) MICHAEL ANDERSON CHIEF INVESTMENT OFFICER	40 00				X			350,920	0	28,247
(17) NATE LAKE VICE PRESIDENT	40 00				X			167,598	0	23,603



Part VII

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) TRACI RABINE VP CLINIC OPERATIONS	40 00				X			154,998	0	23,469
(19) MICHELE TURBAK CHIEF NURSING OFFICER	40 00				X			166,291	0	23,730
(20) EVELIO GARCIA MD PHYSICIAN	40 00					X		1,170,058	0	28,364
(21) SALEM MAALIKI MD PHYSICIAN	40 00					X		1,001,488	0	28,364
(22) BIPINKUMAR AMIN MD PHYSICIAN	40 00					X		628,462	0	28,364
(23) CHRIS ADDUCCI MD PHYSICIAN	40 00					X		525,000	0	28,364
(24) JEFFERY BRINDLE MD PHYSICIAN	40 00					X		503,734	0	28,364
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								5,387,256	0	282,706
<b>2</b>	Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization▶27									

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

Section B. Independent Contractors

<b>1</b>	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
	BROWN CLINIC 506 1ST AVE SE WATERTOWN SD 57201	HOSPITALIST/SURGICAL COVERAGE	617,695
	WEATHERBY LOCUMS PO BOX 972633 DALLAS TX 75397	ER MD ONCOLOGY COVERAGE	382,470
	DR EW FILLER MD PC 21804 468TH AVE VOLGA SD 57006	ER MD COVERAGE	381,963
	DR TRUONG THINH 754 TERRA BELLA DRIVE MILPITAS CA 95035	ER MD COVERAGE	334,630
	PDS INC 4152 30TH AVE S STE 103 FARGO ND 58104	SLEEP STUDIES	266,800
<b>2</b>	Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶11		

Part VIII

Statement of Revenue

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

			(A)	(B)	(C)	(D)
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a			
	b	Membership dues	1b			
	c	Fundraising events	1c			
	d	Related organizations	1d	64,180		
	e	Government grants (contributions)	1e			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	157,639		
	g	Noncash contributions included in lines 1a-1f \$				
	h	Total. Add lines 1a-1f		221,819		
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code			
			621400	75,876,265	75,876,265	
	b	RETAIL PHARMACY	446110	710,993		710,993
	c	LAB SERVICE	621500	259,780		259,780
	d					
	e					
	f	All other program service revenue				
	g	Total. Add lines 2a-2f		76,847,038		
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		421,015		421,015
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
	6a	Gross rents	(i) Real	(ii) Personal		
			818,795			
	b	Less rental expenses		0		
	c	Rental income or (loss)		818,795		
	d	Net rental income or (loss)		818,795		818,795
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other		
			24,114,131	643,138		
	b	Less cost or other basis and sales expenses		16,580,144	671,402	
	c	Gain or (loss)		7,533,987	-28,264	
	d	Net gain or (loss)		7,505,723		7,505,723
	8a	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from fundraising events				
	9a	Gross income from gaming activities See Part IV, line 19	a			
	b	Less direct expenses	b			
	c	Net income or (loss) from gaming activities				
	10a	Gross sales of inventory, less returns and allowances	a			
	b	Less cost of goods sold	b			
c	Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
11a	CAFETERIA REVENUE	722210	250,985		250,985	
b	OTHER INCOME	900099	180,059		180,059	
c	CATERING	722320	26,495	639	25,856	
d	All other revenue		4,238		4,238	
e	Total. Add lines 11a-11d		461,777			
12	Total revenue. See Instructions		86,276,167	75,876,265	971,412	9,206,671

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).

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.	150,067	150,067		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	1,579,310		1,579,310	
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.	28,399,163	25,616,636	2,782,527	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	648,446	612,988	35,458	
9	Other employee benefits.	1,979,269	1,882,419	96,850	
10	Payroll taxes.	2,048,474	1,784,814	263,660	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	26,390		26,390	
c	Accounting.				
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	6,070,710	5,006,106	1,064,604	
12	Advertising and promotion.	244,578	16	244,562	
13	Office expenses.	5,783,697	5,320,277	463,420	
14	Information technology.	439,594	63,502	376,092	
15	Royalties.				
16	Occupancy.	992,825	17,293	975,532	
17	Travel.	390,827	283,206	107,621	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	211,486	63,985	147,501	
20	Interest.	753,686	753,686		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	4,613,384	4,379,140	234,244	
23	Insurance.	323,895	323,895		
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	DRUGS	6,515,821	6,515,821		
b	MEDICAL SUPPLIES	3,791,679	3,791,679		
c	PROVISION FOR BAD DEBT	2,095,388	2,095,388		
d	EQUIP RENT/MAINTENANCE	1,824,865	1,780,214	44,651	
e	All other expenses	992,540	472,934	519,606	
25	Total functional expenses. Add lines 1 through 24e.	69,876,094	60,914,066	8,962,028	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

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

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		1,558	1	1,558
	2	Savings and temporary cash investments		7,700,535	2	7,906,505
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		7,466,057	4	7,529,123
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		21,033	5	15,522
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		1,767,814	7	672,473
	8	Inventories for sale or use		1,633,591	8	1,542,896
	9	Prepaid expenses and deferred charges		434,407	9	516,464
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a107,101,004			
	b	Less accumulated depreciation	10b55,643,207	54,039,109	10c	51,457,797
	11	Investments—publicly traded securities		101,188,116	11	133,328,865
	12	Investments—other securities See Part IV, line 11		4,688,636	12	5,938,750
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets		565,861	14	511,901
	15	Other assets See Part IV, line 11		1,510,414	15	2,048,091
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34)		181,017,131	16	211,469,945
Liabilities	17	Accounts payable and accrued expenses		12,148,605	17	11,691,323
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		18,469,057	20	16,468,220
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		1,968,492	25	2,552,551
	26	<b>Total liabilities.</b> Add lines 17 through 25		32,586,154	26	30,712,094
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>					
	27	Unrestricted net assets		145,492,341	27	177,279,679
	28	Temporarily restricted net assets		2,938,636	28	3,478,172
	29	Permanently restricted net assets			29	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>					
	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	<b>Total net assets or fund balances</b>		148,430,977	33	180,757,851
	34	<b>Total liabilities and net assets/fund balances</b>		181,017,131	34	211,469,945

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	86,276,167
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	69,876,094
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	16,400,073
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	148,430,977
5	Net unrealized gains (losses) on investments . . . . .	5	18,353,562
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	-2,966,297
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	539,536
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	180,757,851

Part XII Financial Statements and Reporting

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

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

Part I

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

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

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% 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 - Non-functionally integrated
- e

☐

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

☐

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

☐

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

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

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

(iii)

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

h

☐

Provide the following information about the supported organization(s)
- |          | Yes | No |
|----------|-----|----|
| 11g(i)   |     |    |
| 11g(ii)  |     |    |
| 11g(iii) |     |    |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? |    | (v) Did you notify the organization in col (i) of your support? |    | (vi) Is the organization in col (i) organized in the U S ? |    | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
|                                    |          |  | Yes  | No | Yes   | No | Yes  | No |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
| Total                              |          |  |  |    |   |    |  |    |                                  |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here . . . . . ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. 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—2011. If the organization did not check a 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—2012. 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—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

Part IIIPart III

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

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

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

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

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶\$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶\$ \_\_\_\_\_

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

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

3

Using the organization's acquisition, 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 XIII

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 XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

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

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

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

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

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

(i) unrelated organizations

3a(i)

Yes

No

(ii) related organizations

3a(ii)

Yes

No

b

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

3b

Yes

No

4

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,341,520		2,341,520
b Buildings		47,326,716	17,871,195	29,455,521
c Leasehold improvements		2,622,265	1,517,951	1,104,314
d Equipment		54,562,730	36,254,061	18,308,669
e Other		247,773		247,773
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				51,457,797

Schedule D (Form 990) 2012



Part XI

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 XIII ) . . . . .	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 XIII ) . . . . .	4b		
c	Add lines 4a and 4b . . . . .		4c	
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . .		5	

Part XII

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 XIII ) . . . . .	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 XIII ) . . . . .	4b		
c	Add lines 4a and 4b . . . . .		4c	
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) . . . . .		5	

Part XIII

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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE INTERNAL REVENUE SERVICE (IRS) HAS DETERMINED THAT PRAIRIE LAKES AND HOME CONNECTIONS ARE TAX-EXEMPT, NOT-FOR-PROFIT CORPORATIONS UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE (IRC). THE HEALTH SYSTEM FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS. THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED. THE APPLICATION OF THIS STANDARD HAS NO IMPACT ON THE HEALTH SYSTEM'S FINANCIAL STATEMENTS. THE HEALTH SYSTEM'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES. THE INFORMATION TAX RETURNS FOR THE YEARS ENDED 2010 TO 2012 ARE OPEN TO EXAMINATION BY FEDERAL, LOCAL, AND STATE AUTHORITIES.

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," was it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care  4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b	Yes	
b	If "Yes," did the organization make it available to the public? . . . . .	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .			1,762,970		1,762,970	2 520 %
b Medicaid (from Worksheet 3, column a) . . . . .			3,121,929	1,018,798	2,103,131	3 010 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			4,884,899	1,018,798	3,866,101	5 530 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .			8,913,739	4,437,469	4,476,270	6 410 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			150,067		150,067	0 210 %
j <b>Total</b> Other Benefits . . . . .			9,063,806	4,437,469	4,626,337	6 620 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			13,948,705	5,456,267	8,492,438	12 150 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
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

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. Explain in Part VI the methodology used by the organization to estimate this amount.

2

2,095,388

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

0

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

28,040,933

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

23,739,721

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

4,301,212

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

9b

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

(owned 10% or more by officers, directors, trustees, key employees, and physicians—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—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	PRAIRIE LAKES HOSPITAL 401 9TH AVE NW WATERTOWN,SD 57201	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 or facility reporting groups listed in Part V, Section A)

PRAIRIE LAKES HEALTH CARE SYSTEM

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	No
5	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input checked="" type="checkbox"/> Execution of the implementation strategy		
c	<input checked="" type="checkbox"/> Participation in the development of a community-wide plan		
d	<input checked="" type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	No
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> Income level			
<b>b</b> <input checked="" type="checkbox"/> Asset level			
<b>c</b> <input checked="" type="checkbox"/> Medical indigency			
<b>d</b> <input checked="" type="checkbox"/> Insurance status			
<b>e</b> <input checked="" type="checkbox"/> Uninsured discount			
<b>f</b> <input checked="" type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> 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? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following 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			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		<b>17</b>	No
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals 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)

Policy Relating to Emergency Medical Care

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

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care 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 health care facilities did the organization operate during the tax year?  
3

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

Part VI Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 3C CRITERIA FOR DETERMINING THE AMOUNT OF FINANCIAL ASSISTANCE SERVICES FOR WHICH A PATIENT IS ELIGIBLE AT THE TIME OF SERVICE OR DURING THE BILLING-AND-COLLECTION PROCESS MAY INCLUDE THE FOLLOWING FACTORS (A) INDIVIDUAL OR FAMILY INCOME AND NET WORTH(B) EMPLOYMENT STATUS AND EARNING CAPACITY(C) FAMILY SIZE(D) OTHER FINANCIAL OBLIGATIONS(E) THE AMOUNT AND FREQUENCY OF BILLINGS FOR HEALTHCARE SERVICES(F) OTHER SOURCES OF PAYMENT FOR THE SERVICES RENDERED(G) TYPE OF SERVICES PROVIDED, WHETHER ELECTIVE OR NON-ELECTIVE
		PART I, LINE 7 THE COSTS ARE CALCULATED USING A COST TO CHARGE RATIO DERIVED FROM WORKSHEET 2 OF THE SCHEDULE H INSTRUCTIONS \$2,095,388 IN BAD DEBT EXPENSE WAS ELIMINATED WHEN CALCULATING PART I, LINE 7

Identifier	ReturnReference	Explanation
		PART I, LINE 7G THE SUBSIDIZED HEALTH SERVICES INCLUDED IN SCHEDULE H, PART I, LINE 7G RELATES TO THE EMERGENCY ROOM, CARDIOLOGY SERVICES, ONCOLOGY SERVICES, AND SPECIALTY PHYSICIANS
		PART III, LINE 4 BAD DEBT EXPENSE INCLUDED IN PART III, LINE 2 IS DETERMINED BY THE PERCENTAGE OF PRIVATE PAY ACCOUNTS THAT ARE HISTORICALLY WRITTEN OFF TO BAD DEBT THE FINANCIAL STATEMENTS DO NOT CONTAIN A FOOTNOTE PERTAINING TO BAD DEBT EXPENSE SPECIFICALLY HOWEVER, WITHIN NOTE 1, "PATIENT ACCOUNTS RECEIVABLE", THE PROVISION FOR BAD DEBTS IS REFERENCED THIS NOTE IS INCLUDED ON PAGE 8 OF THE FINANCIAL STATEMENTS THE ORGANIZATION DOES NOT HAVE A WAY TO IDENTIFY THE NUMBER OF PEOPLE WHO WOULD QUALIFY FOR FINANCIAL ASSISTANCE SO WE HAVE REPORTED \$0 IN PART III, LINE 3

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THERE WAS NO SHORTAGE CALCULATED IN PART III, LINE 8 THE MEDICARE ALLOWABLE COSTS INCLUDED IN PART III, LINE 6 WAS DERIVED USING THE 2013 FILED MEDICARE COST REPORT
		PART III, LINE 9B FINANCIAL ASSISTANCE/CHARITY CARE FORM IS SENT TO THE PATIENT FOR COMPLETION UPON RECEIPT BY THE FACILITY, THE FORM AND GUIDELINES ARE REVIEWED AND THE PATIENT IS NOTIFIED OF THE QUALIFICATION FOR FINANCIAL ASSISTANCE/CHARITY CARE THE PATIENT'S ACCOUNT (S) ARE THEN WRITTEN OFF

Identifier	ReturnReference	Explanation
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 3 PRAIRIE LAKES HELD TWO FOCUS GROUPS WITH COMMUNITY AND HEALTH LEADERS AS WELL AS CONDUCTED SEVERAL INTERVIEWS TO DETERMINE THE LEADING HEALTH ISSUES AND PRIORITIES IN ADDITION, PRAIRIE LAKES PARTNERED WITH HEALTHSTREAM, INC , A COMMUNITY PERCEPTION RESEARCHER, TO CONDUCT A COMMUNITY SURVEY IN JUNE 2012, PRAIRIE LAKES HELD TWO FOCUS GROUPS TO SEEK THE INPUT OF COMMUNITY AND HEALTHCARE LEADERS THE GOAL OF THESE FOCUS GROUPS WAS TO IDENTIFY UNMET HEALTHCARE NEEDS, UNDERSERVED POPULATIONS, AND LIMITED ACCESS TO CARE IN THE REGION TO ENSURE ALL POPULATIONS AND INTERESTS WERE REPRESENTED, PRAIRIE LAKES CONTACTED KEY COMMUNITY AND HEALTH LEADERS WHO WERE UNABLE TO ATTEND EITHER FOCUS GROUP FOR PERSONAL INTERVIEWS IN JULY AND AUGUST 2012, PRAIRIE LAKES PARTNERED WITH HEALTHSTREAM, INC TO CONDUCT A COMMUNITY INSIGHTS COMMUNITY NEEDS ASSESSMENT OF PRAIRIE LAKES' PRIMARY AND SECONDARY SERVICE AREAS TO COMPLETE THE RESEARCH OBJECTIVES, 506 CONSUMERS WERE SURVEYED OVER THE TELEPHONE SURVEYS WERE COMPLETED WITH RESIDENTS 18 YEARS OF AGE OR OLDER ONLY RESIDENTS LIVING IN DEFINED ZIP CODES WERE ELIGIBLE TO COMPLETE THE SURVEY
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 5C THE COMMUNITY HEALTH NEEDS ASSESSMENT CAN BE FOUND ON THE ORGANIZATIONS WEBSITE, <a href="http://WWW.PRAIRIELAKES.COM/ABOUT-PLHS/COMMUNITY-BENEFIT.HTML">WWW.PRAIRIELAKES.COM/ABOUT-PLHS/COMMUNITY-BENEFIT.HTML</a>



Identifier	ReturnReference	Explanation
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 7 THE OBESITY ISSUE IS CURRENTLY BEING ADDRESSED THROUGH COMMUNITY NUTRITION, PHYSICAL ACTIVITY, AND WEIGHT LOSS INITIATIVES PRIMARY CARE CLINICS, THE HOSPITAL, AND THE COMMUNITY RECREATION CENTER PROVIDE A NUMBER OF PROGRAMS THE HOSPITAL WILL EVALUATE OPPORTUNITIES TO PROVIDE CASH DONATIONS TO SUPPORT COMMUNITY INITIATIVES THAT ADDRESS INEQUITIES ASSOCIATED WITH PROVIDING SERVICES COMMUNITY-BASED MENTAL HEALTH SERVICES ARE PROVIDED BY THE HUMAN SERVICE AGENCY THE AGENCY PROVIDES SERVICES TO INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES, THOSE STRUGGLING WITH CHEMICAL AND GAMBLING ADDICTIONS, PEOPLE DIAGNOSED WITH A MENTAL ILLNESS, AND TO INDIVIDUALS COPING WITH A DEPRESSED MOOD, ANXIETY, MARITAL STRESS, OR OTHER LIFE STRESSES THE AGENCY PROVIDES RESIDENTIAL DETOX SERVICES FOR MEDICALLY STABLE INDIVIDUALS WITH FINANCIAL SUPPORT FOR THIS SERVICE FROM VARIOUS ENTITIES INCLUDING PRAIRIE LAKES HEALTHCARE SYSTEM PATIENTS REQUIRING INPATIENT MENTAL HEALTH SERVICES ARE TRANSFERRED TO PROVIDERS OUTSIDE THE SERVICE AREA THE HOSPITAL LACKS THE EXPERTISE TO PROVIDE ADDITIONAL MENTAL HEALTH SERVICES AND DOES NOT WANT TO DUPLICATE THE EFFORTS OF OTHER COMMUNITY PROVIDERS HOWEVER, THE HOSPITAL WILL SUPPORT EFFORTS TO WORK WITH COMMUNITY MENTAL HEALTH PROVIDERS TO IMPROVE CARE COORDINATION AND REFERRAL PROCESSES IN ADDITION TO THE TOP FIVE HEALTH CONCERNS, FOUR OTHER CONCERNS WERE IDENTIFIED FROM THE COMMUNITY HEALTH NEEDS ASSESSMENT FY 2013 AND WILL NOT BE TARGETED FOR SPECIFIC INITIATIVES IN THE IMPLEMENTATION PLAN FOR THE REASONS DESCRIBED 1 CANCER2 POOR NUTRITION3 TOBACCO USE4 EXCESSIVE ALCOHOL CONSUMPTIONTHE COMMUNITY HEALTH NEEDS ASSESSMENT REVEALED A LOWER CANCER MORTALITY RATE IN THE SERVICE AREA THAN IN THE STATE THE ORGANIZATION HAS A FULLY DEVELOPED CANCER PROGRAM CASH DONATIONS ARE MADE ANNUALLY TO COMMUNITY GROUPS WHO PROVIDE ASSISTANCE TO CANCER PATIENTS WITH NEEDS NO SPECIFIC INITIATIVES ARE PLANNED BUT THE ORGANIZATION WILL CONTINUE TO PROVIDE CASH DONATIONS TO COMMUNITY GROUPS PROVIDING SUPPORT OF CANCER PATIENTS THE LIFESTYLE HEALTH ISSUES RELATED TO POOR NUTRITION, TOBACCO USE, AND EXCESSIVE ALCOHOL CONSUMPTION ARE ADDRESSED THROUGH A NUMBER OF COMMUNITY INITIATIVES PLHS WILL CONTINUE TO SUPPORT THESE INITIATIVES THROUGH CASH DONATIONS
PRAIRIE LAKES HEALTH CARE SYSTEM		PART V, SECTION B, LINE 20D THE HOSPITAL USED THE CRITERIA SET FORTH IN ITS FINANCIAL ASSISTANCE POLICY TO DETERMINE THE LEVEL OF DISCOUNT FOR PATIENTS QUALIFYING FOR ASSISTANCE THE HOSPITAL USES THE MOST RECENTLY COMPLETED FISCAL YEAR'S AVERAGE PAYMENT PERCENT OF GROSS BILLED CHARGES PAID ON CLAIMS FOR PATIENTS THAT HAVE MEDICARE OR PRIVATE INSURANCE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE FACILITY CONDUCTS NEEDS ASSESSMENT SURVEYS IN THE COMMUNITY AND SURROUNDING AREA TO DETERMINE WHAT HEALTH CARE SERVICES NEED TO BE ADDRESSED
		PART VI, LINE 3 PRIVATE PAY INPATIENTS SPEAK WITH A SOCIAL WORKER TO DETERMINE IF THEY HAVE A NEED FOR FINANCIAL ASSISTANCE THE SOCIAL WORKER WILL GIVE THEM A NUMBER OF AVAILABLE OPTIONS FOR ASSISTANCE AFTER A PATIENT HAS RECEIVED STATEMENTS WITH THE PORTION THAT THEY ARE RESPONSIBLE FOR THEY ARE CONTACTED TO SEE IF THEY ARE IN NEED OF FINANCIAL ASSISTANCE AT THAT TIME THEY ARE INFORMED OF ALL OPTIONS AVAILABLE TO THEM

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 PRAIRIE LAKES HEALTH CARE SYSTEM'S PRIMARY SERVICE AREA COVERS 3 COUNTIES IN SOUTH DAKOTA WITH A POPULATION OF APPROXIMATELY 36,000 IT'S SECONDARY SERVICE AREA COVERS 4 COUNTIES IN SOUTH DAKOTA AND 3 COUNTIES IN MINNESOTA WITH A POPULATION OF 54,000
		PART VI, LINE 5 THE ORGANIZATION OFFERS FREE HEALTH SEMINARS TO COMMUNITY MEMBERS COVERING A VARIETY OF HEALTH TOPICS IN AN EFFORT TO EDUCATE PEOPLE ABOUT LEADING HEALTHY LIVES COMMUNITY FORUMS ARE HELD TO UPDATE ATTENDEES ABOUT NEW EVENTS AND TECHNOLOGY AT THE FACILITY THE ORGANIZATION WORKS WITH THE TECHNICAL INSTITUTE AND TWO STATE UNIVERSITIES TO HELP TRAIN MEDICAL STUDENTS THE ORGANIZATION IS DEDICATED TO IMPLEMENTING AND MAINTAINING THE MOST CURRENT TECHNOLOGY IN PROVIDING CARE



Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

General Information on Grants and Assistance

- 1

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

☒ Yes ☐ No
- 2

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

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) WATERTOWN UNITED WAY PO BOX 283 WATERTOWN,SD 57201	46-0359557	501(C)(3)	30,500				COMMUNITY ORGANIZATION FUNDING
(2) NATIONAL KIDNEY FOUNDATION 1970 OAKCREST AVE STE 208 ST PAUL,MN 55113	13-1673104	501(C)(3)	10,000				RESEARCH AND SCREENINGS
(3) SANFORD CLINIC 901 4TH ST NW WATERTOWN,SD 57201	46-0447693	501(C)(3)	10,000				FAMILY PLANNING CLINIC
(4) WATERTOWN COMMUNITY FOUNDATION 211 KEMP AVE E WATERTOWN,SD 57201	46-0350319	501(C)(3)	10,400				H2O 2020/SEA OF GOODWILL FUND
(5) HUMAN SERVICE AGENCY PO BOX 1030 WATERTOWN,SD 57201	46-0275247	501(C)(3)	6,000				DETOX FUNDING
(6) FOCUS WATERTOWN 1 EAST KEMP AVE WATERTOWN,SD 57201	47-0813269	501(C)(6)	32,000				COMMUNITY DEVELOPMENT
(7) LUTHERAN OUTDOORS IN SD 2001 S SUMMIT AVE SIOUX FALLS,SD 57197	46-0320561	501(C)(3)	6,000				JOY RANCH FUNDING
(8) CITY OF WATERTOWN 23 2ND ST NE WATERTOWN,SD 57201	46-6000515	CITY GOVERNMENT	10,000				FIRE RESCUE TRAINING CENTER

**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.  
Part III can be duplicated if additional space is needed.

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

Part IV Supplemental Information.		
Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information		
Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 THE GRANTS ARE APPROVED BY ADMINISTRATION AND GIVEN AS UNRESTRICTED DONATIONS THYE ARE NOT MONITORED ONCE GIVEN

Software ID:

Software Version:

EIN: 46-0391067

Name: PRAIRIE LAKES HEALTH CARE SYSTEM INC

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WATERTOWN UNITED WAY PO BOX 283 WATERTOWN, SD 57201	46-0359557	501(C)(3)	30,500				COMMUNITY ORGANIZATION FUNDING
NATIONAL KIDNEY FOUNDATION1970 OAKCREST AVE STE 208 ST PAUL, MN 55113	13-1673104	501(C)(3)	10,000				RESEARCH AND SCREENINGS

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SANFORD CLINIC901 4TH ST NW WATERTOWN, SD 57201	46-0447693	501(C)(3)	10,000				FAMILY PLANNING CLINIC
WATERTOWN COMMUNITY FOUNDATION211 KEMP AVE E WATERTOWN, SD 57201	46-0350319	501(C)(3)	10,400				H20 2020/SEA OF GOODWILL FUND



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

(a) Name and address of organization or government		(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
HUMAN SERVICE AGENCY PO BOX 1030 WATERTOWN, SD 57201		46-0275247	501(C)(3)	6,000				DETOX FUNDING
FOCUS WATERTOWN1 EAST KEMP AVE WATERTOWN, SD 57201		47-0813269	501(C)(6)	32,000				COMMUNITY DEVELOPMENT

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
LUTHERAN OUTDOORS IN SD2001 S SUMMIT AVE SIOUX FALLS, SD 57197	46-0320561	501(C)(3)	6,000				JOY RANCH FUNDING
CITY OF WATERTOWN23 2ND ST NE WATERTOWN, SD 57201	46-6000515	CITY GOVERNMENT	10,000				FIRE RESCUE TRAINING CENTER

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

2012

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

Questions Regarding Compensation

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

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

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

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

(A) Name and Title		(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 as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

**Part III** Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
------------	------------------	-------------

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

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

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JILL FULLER	(i) (ii)277,631 0	126,000 0	66,544 0	7,500 0	20,864 0	498,539 0	0 0
ADAM PAUL	(i) (ii)186,471 0	40,000 0	22,061 0	5,594 0	7,879 0	262,005 0	0 0
MICHAEL ANDERSON	(i) (ii)214,556 0	100,000 0	36,364 0	7,383 0	20,864 0	379,167 0	0 0
NATE LAKE	(i) (ii)116,692 0	25,000 0	25,906 0	4,158 0	19,445 0	191,201 0	0 0
TRACI RABINE	(i) (ii)112,228 0	23,000 0	19,770 0	4,024 0	19,445 0	178,467 0	0 0
MICHELE TURBAK	(i) (ii)119,932 0	23,000 0	23,359 0	4,229 0	19,501 0	190,021 0	0 0
EVELIO GARCIA MD	(i) (ii)892,699 0	70,000 0	207,359 0	7,500 0	20,864 0	1,198,422 0	0 0
SALEM MAALIKI MD	(i) (ii)975,488 0	26,000 0	0 0	7,500 0	20,864 0	1,029,852 0	0 0
BIPINKUMAR AMIN MD	(i) (ii)478,500 0	60,000 0	89,962 0	7,500 0	20,864 0	656,826 0	0 0
CHRIS ADDUCCI MD	(i) (ii)454,327 0	0 0	70,673 0	7,500 0	20,864 0	553,364 0	0 0
JEFFERY BRINDLE MD	(i) (ii)441,822 0	0 0	61,912 0	7,500 0	20,864 0	532,098 0	0 0

Schedule K  
(Form 990)

Supplemental Information on Tax Exempt Bonds

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

Department of the Treasury  
Internal Revenue Service

PRAIRIE LAKES HEALTH CARE SYSTEM INC

OMB No 1545-0047

2012

Open to Public Inspection

Employer identification number  
46-0391067

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

Part II Proceeds									
	A		B		C		D		
	Yes	No	Yes	No	Yes	No	Yes	No	No
1 Amount of bonds retired		5,204,592							
2 Amount of bonds legally defeased									
3 Total proceeds of issue		25,166,290							
4 Gross proceeds in reserve funds		3,303							
5 Capitalized interest from proceeds									
6 Proceeds in refunding escrows		24,731,480							
7 Issuance costs from proceeds		431,508							
8 Credit enhancement from proceeds									
9 Working capital expenditures from proceeds									
10 Capital expenditures from proceeds									
11 Other spent proceeds									
12 Other unspent proceeds									
13 Year of substantial completion	2010		Yes	No	Yes	No	Yes	No	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	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	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?													
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?													
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?													
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government													
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government													
6	Total of lines 4 and 5													
7	Does the bond issue meet the private security or payment test?													
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?													
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of													
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1 141-12 and 1 145-2?													
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1 141-12 and 1 145-2?													

Part IV Arbitrage

	A				B				C				D	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?													
2	If "No" to line 1, did the following apply?													
a	Rebate not due yet?													
b	Exception to rebate?													
c	No rebate due?													
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed													
3	Is the bond issue a variable rate issue?													
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?													
b	Name of provider													
c	Term of hedge													
d	Was the hedge superintegrated?													
e	Was a hedge terminated?													



Part IV Arbitrage (Continued)

5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?	A				B				C				D			
		Yes		No		Yes		No		Yes		No		Yes		No	
					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?																
6	Were any gross proceeds invested beyond an available temporary period?																
7	Has the organization established written procedures to monitor the requirements of section 148?	X															

Part V Procedures To Undertake Corrective Action

1	Has 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?	A				B				C				D			
		Yes		No		Yes		No		Yes		No		Yes		No	
		X															

Part VI Supplemental Information. Complete this part to provide additional information for responses to questions on Schedule K (see instructions).

Identifier	Return Reference	Explanation															
SCHEDULE K PART IV , ARBITRAGE, LINE 2C	DATE REBATE COMPUTATION PERFORMED	ISSUER NAME SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 04/01/2013															
SCHEDULE K, PART II, LINE 3		THE DIFFERENCE IN THE ISSUANCE PRICE INCLUDED IN PART I, LINE A, COLUMN E OF \$21,672,812 IS DIFFERENT THAN THE TOTAL PROCEEDS OF ISSUANCE INCLUDED IN PART II, LINE 3 OF \$25,166,290 BECAUSE OF THE TRUSTEE FUNDS UTILIZED DURING THE REFINANCING															
SCHEDULE K, PART III	SPECIAL RULE FOR REFUNDING OF PRE-2003 ISSUES	PLHS IS NOT REQUIRED TO COMPLETE PART III OF SCHEDULE K BECAUSE THE BOND ISSUANCE LISTED IN PART I WERE TO REFUND BONDS ISSUED PRIOR TO JANUARY 1, 2003 THE TAX SOFTWARE USED TO PREPARE THE FORM 990 DOESN'T ALLOW FOR THE SUPPRESSING OF THIS SECTION, THEREFORE, THESE ANSWERS ARE ANSWERED NO INSTEAD OF BEING LEFT BLANK															

Schedule L  
(Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

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

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

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by 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-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e)Original principal amount	(f)Balance due	(g) In default?		(h) Approved by board or committee?		(i)Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
(1) SALEM MAALIKI MD	HIGHEST COMPENSATED EMPLOYEE	SIGNING BONUS		X	75,000	15,522		No	Yes		Yes	
Total												

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 assistance	(d) Type of assistance	(e) Purpose 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) WATERTOWN PUBLIC OPINION	TRUSTEE OF PLHS, MARK ROBY, WAS A KEY EMPLOYEE OF WATERTOWN PUBLIC OPINION	115,269	PLHS PAID TO ADVERTISE IN THE WATERTOWN PUBLIC OPINION		No
(2) BROWN CLINIC	TRUSTEE OF PLHS, CATHY GERRISH, WAS A KEY EMPLOYEE OF BROWN CLINIC	625,586	PLHS PAID BROWN CLINIC FOR CONTRACT HOSPITALIST PHYSICIANS, MEDICAL DIRECTORSHIP, TRAUMA CALL COVERAGE, AND COMPENSATION FOR COMPUTER TRAINING		No
(3) SANFORD CLINIC WATERTOWN	TRUSTEE OF PLHS, ROGER CARTER, WAS A KEY EMPLOYEE OF SANFORD CLINIC	721,066	SANFORD PAID PLHS FOR RENT AND UTILITIES FOR A MEDICAL OFFICE BUILDING ON THE HOSPITAL'S MAIN CAMPUS		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
------------	------------------	-------------

efile GRAPHIC print - DO NOT PROCESS		As Filed Data -		DLN: 93493069006514	
<div>SCHEDULE O (Form 990 or 990-EZ)</div> <div>Department of the Treasury Internal Revenue Service</div>	<div>Supplemental Information to Form 990 or 990-EZ</div> <div>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.</div>				OMB No 1545-0047
					<div>2012</div> <div>Open to Public Inspection</div>
	Name of the organization PRAIRIE LAKES HEALTH CARE SYSTEM INC			Employer identification number 46-0391067	

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	
	FORM 990, PART VI, SECTION B, LINE 11	EXECUTIVE MANAGEMENT WILL REVIEW THE FORM 990 IN DETAIL. THEY WILL THEN PRESENT THE FORM 990 TO THE FINANCE COMMITTEE CHAIR FOR FINAL REVIEW PRIOR TO FILING WITH THE IRS.
	FORM 990, PART VI, SECTION B, LINE 12C	A CONFLICT OF INTEREST STATEMENT IS SIGNED BY ALL BOARD MEMBERS ON AN ANNUAL BASIS. THAT STATEMENT DISCLOSES ANY AREAS THAT MAY HAVE A POTENTIAL FOR CONFLICT OF INTEREST WITH THEMSELVES OR FAMILY MEMBERS. THE CONFLICT OF INTEREST POLICY IS MONITORED BY THE CEO AND THE BOARD. AT BOARD MEETINGS, THE MEMBERS WILL EXCUSE THEMSELVES FROM ANY DISCUSSION OR VOTING ON AN ISSUE WHERE A CONFLICT MAY EXIST.
	FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION COMPARABILITY STUDIES ARE REVIEWED EACH YEAR FOR ALL POSITIONS. THE COMPENSATION STUDIES ARE CONDUCTED INTERNALLY BY THE HUMAN RESOURCES DEPARTMENT. THE HUMAN RESOURCES DEPARTMENT HAS ACCESS TO VARIOUS COMPENSATION SURVEYS WHICH THEY REVIEW IN ORDER TO DETERMINE IF THE HOSPITAL'S COMPENSATION IS REASONABLE COMPARED TO OTHER FACILITIES. THE LAST COMPENSATION STUDY WAS PERFORMED IN 2012. THE BOARD APPROVES SALARY OF THE CEO THROUGH ITS EXECUTIVE COMMITTEE SERVING AS THE COMPENSATION COMMITTEE. THE BOARD DELEGATES VICE PRESIDENT EXECUTIVE COMPENSATION APPROVAL TO CEO BASED ON THE ORGANIZATION'S COMPENSATION PHILOSOPHY IN CONJUNCTION WITH MARKET BENCHMARKS. THE EXECUTIVE COMMITTEE REVIEWS AND APPROVES THE SALARIES OF OTHER KEY EMPLOYEES.
	FORM 990, PART VI, SECTION C, LINE 19	FINANCIAL STATEMENTS ARE AVAILABLE THROUGH FILINGS WITH BONDING AUTHORITY. THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC.
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CHANGE IN BENEFICIAL INTEREST IN PRAIRIE LAKES FOUNDATION 539,536

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

2012

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) 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" to 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 entity?	
						Yes	No
(1) PRAIRIE LAKES HOME CONNECTIONS INC  401 9TH AVE NW  WATERTOWN, SD 57201 46-0394984	HOMEMAKER & NURSING SERVICES	SD	501(C)(3)	9	N/A		No
(2) PRAIRIE LAKES FOUNDATION INC  401 9TH AVE NW  WATERTOWN, SD 57201 46-0350240	PROMOTES HEALTH EDUCATION AND GENERAL HEALTH AND WELL-BEING OF THE PUBLIC	SD	501(C)(3)	7	N/A		No

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

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

**Part IV** Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to 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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No







Software ID:

Software Version:

EIN: 46-0391067

Name: PRAIRIE LAKES HEALTH CARE SYSTEM INC

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation
------------	------------------	-------------

-->

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC.  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED MAY 31, 2013 AND 2012**

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE  
TABLE OF CONTENTS  
YEARS ENDED MAY 31, 2013 AND 2012**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>7</b>



CliftonLarsonAllen LLP  
CLAcconnect.com

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Prairie Lakes Health Care System, Inc. and Affiliate (Prairie Lakes), which comprise the consolidated statements of financial position as of May 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Prairie Lakes Health Care System, Inc and Affiliate

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Prairie Lakes Health Care System, Inc and Affiliate as of May 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
August 21, 2013

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2013 AND 2012**

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 8,653,108	\$ 7,702,093
Accounts Receivable, Patients and Residents, Net of Allowances for Doubtful Accounts of \$4,954,062 in 2013 and \$5,804,297 in 2012	7,626,398	7,466,057
Inventories	1,542,896	1,633,591
Prepaid Expenses and Other	679,300	2,223,254
Funds Held by Trustee under Debt Agreement	453,925	457,738
Total Current Assets	<u>18,955,627</u>	<u>19,482,733</u>
<b>FUNDS DESIGNATED BY BOARD FOR FUTURE PLANT REPLACEMENT AND EXPANSION</b>	102,362,389	73,562,578
<b>FUNDS DESIGNATED BY BOARD FOR COMMUNITY BENEFIT</b>	2,210,578	1,500,000
<b>INVESTMENTS</b>	34,357,894	27,313,457
<b>BENEFICIAL INTEREST IN NET ASSETS OF PRAIRIE LAKES HEALTH CARE FOUNDATION</b>	3,478,172	2,938,636
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	51,457,797	54,039,109
<b>OTHER ASSETS</b>	<u>2,712,317</u>	<u>2,180,618</u>
Total Assets	<u><u>\$ 215,534,774</u></u>	<u><u>\$ 181,017,131</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 1,950,000	\$ 1,895,000
Accounts Payable, Trade	2,299,123	2,306,715
Construction Payable	162,538	-
Accrued Salaries and Employee Benefits	3,896,097	4,187,317
Accrued Interest	126,205	135,551
Estimated Third-Party Payor Settlements Payable	5,282,348	5,469,022
Total Current Liabilities	<u>13,716,311</u>	<u>13,993,605</u>
<b>OTHER LIABILITIES</b>	2,552,551	2,018,492
<b>LONG-TERM DEBT, Net of Current Maturities</b>	<u>14,518,220</u>	<u>16,574,057</u>
Total Liabilities	30,787,082	32,586,154
<b>CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted	181,269,520	145,492,341
Temporarily Restricted	3,478,172	2,938,636
Total Net Assets	<u>184,747,692</u>	<u>148,430,977</u>
Total Liabilities and Net Assets	<u><u>\$ 215,534,774</u></u>	<u><u>\$ 181,017,131</u></u>

See accompanying Notes to Consolidated Financial Statements

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED MAY 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>REVENUE</b>		
Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 77,468,143	\$ 78,930,177
Provision for Uncollectible Accounts	<u>(2,095,388)</u>	<u>(3,484,501)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	75,372,755	75,445,676
Other Revenue	<u>1,316,739</u>	<u>2,119,120</u>
Total Revenue	76,689,494	77,564,796
<b>EXPENSES</b>		
Salaries and Benefits	35,088,938	33,395,025
Supplies and Other	27,758,928	27,200,266
Depreciation and Amortization	4,613,384	4,705,492
Interest	<u>753,686</u>	<u>809,016</u>
Total Expenses	<u>68,214,936</u>	<u>66,109,799</u>
<b>INCOME FROM OPERATIONS</b>	8,474,558	11,454,997
<b>NONOPERATING GAINS</b>		
Investment Income	27,149,066	1,656,580
Other	<u>39,955</u>	<u>35,144</u>
Total Nonoperating Gains	<u>27,189,021</u>	<u>1,691,724</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ 35,663,579</u></u>	<u><u>\$ 13,146,721</u></u>

See accompanying Notes to Consolidated Financial Statements

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED MAY 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
Excess of Revenue over Expenses	\$ 35,663,579	\$ 13,146,721
Capital Grants and Contributions	<u>113,600</u>	<u>190,300</u>
Total Change in Unrestricted Net Assets	35,777,179	13,337,021
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Change in Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	<u>539,536</u>	<u>103,492</u>
<b>INCREASE IN NET ASSETS</b>	36,316,715	13,440,513
Net Assets - Beginning of Year	<u>148,430,977</u>	<u>134,990,464</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 184,747,692</u></u>	<u><u>\$ 148,430,977</u></u>

*See accompanying Notes to Consolidated Financial Statements*



**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 36,316,715	\$ 13,440,513
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Change in Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	(539,536)	(103,492)
Capital Grants and Contributions	(113,600)	(190,300)
Depreciation and Amortization	4,613,384	4,705,492
Provision for Bad Debts	2,095,388	3,484,501
Net Gain on Investments	(27,149,066)	(1,656,580)
(Gain) Loss on Disposal of Property	28,264	(5,564)
(Increase) Decrease in Assets		
Accounts Receivables	(2,255,729)	(3,955,761)
Inventories, Prepaid Expenses and Other	1,093,243	(1,146,304)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(308,158)	(984,683)
Estimated Third-Party Payor Settlements Payable	(186,674)	1,039,767
Other Liabilities	534,059	117,551
Net Cash Provided by Operating Activities	<u>14,128,290</u>	<u>14,745,140</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Short-Term Investments, Funds Held by Trustee, Funds Designated by Board, and Investments	(33,516,078)	(28,244,725)
Proceeds from Sale of Short-Term Investments, Funds Held by Trustee, Funds Designated by Board, and Investments	24,114,131	20,833,290
Purchases of Property, Plant and Equipment	(1,993,928)	(4,309,958)
Net Cash Used by Investing Activities	<u>(11,395,875)</u>	<u>(11,721,393)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(1,895,000)	(1,835,000)
Capital Grants and Contributions	113,600	190,300
Net Cash Used by Financing Activities	<u>(1,781,400)</u>	<u>(1,644,700)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	951,015	1,379,047
Cash and Cash Equivalents - Beginning of Year	<u>7,702,093</u>	<u>6,323,046</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 8,653,108</u></u>	<u><u>\$ 7,702,093</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>		
Additions to Net Property and Equipment Funded through Construction Payable	<u><u>\$ 162,538</u></u>	<u><u>\$ -</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	<u><u>\$ 824,600</u></u>	<u><u>\$ 879,650</u></u>

See accompanying Notes to Consolidated Financial Statements

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Purpose**

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

**Basis of Accounting**

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

**Tax Status**

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

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

The Health System's income tax returns are subject to review and examination by federal, state, and local authorities. The information tax returns for the years ended 2010 to 2012 are open to examination by federal, local, and state authorities.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as contractual allowances, allowances for doubtful accounts receivable, contractual settlements, and estimated incurred but not reported health claims, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Impairment of Long-Lived Assets**

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying value, an impairment loss would be recognized. There were no impairments recorded in 2013 or 2012.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

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

**Cash and Cash Equivalents**

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

**Patient Accounts Receivable**

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of patient accounts receivable, the Health System 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 Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). 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 Health System 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 (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System's allowance for doubtful accounts for self-pay patients decreased from 81% of self-pay accounts receivable at May 31, 2012, to 77% of self-pay accounts receivable at May 31, 2013. The Health System's self-pay write-offs did increase approximately \$546,000 from approximately \$2,399,000 for fiscal year 2012 to approximately \$2,946,000 for fiscal year 2013. The decrease in the allowance for doubtful accounts was the result of lower self-pay balances as of May 31, 2013 compared to May 31, 2012. See Note 8 for explanation of changes in the charity care and uninsured discount policies during fiscal year 2013. The Health System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

**Inventories**

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

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

**Prepaid Expenses and Other**

Included in the prepaid expenses and other current assets are doctor and employee accounts receivable, an electronic health record incentive receivable (Note 6) and other miscellaneous receivables totaling \$162,836 and \$1,788,847 at May 31, 2013 and 2012, respectively

**Investments**

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

**Property, Plant and Equipment**

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

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

**Other Assets**

Other assets include deferred financing costs incurred in connection with the issuance of the Series 2010 bond issuance (see Note 4), which are amortized on a straight-line basis over the life of the related debt. Deferred financing costs of \$409,272 at May 31, 2013 and 2012 are presented net of accumulated amortization of \$106,879 and \$62,676 as of May 31, 2013 and 2012, respectively.

Also included within other assets is goodwill from the purchase of Mallard Pointe (a local surgical center) during 2005, with an original cost of \$291,208. At May 31, 2013 and 2012, the ending value of goodwill was \$209,508 and \$219,215, respectively. As of May 31, 2013 and 2012, management has determined that goodwill is not impaired.

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

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

**Funds Held by Trustee under Debt Agreement**

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

**Net Patient Service Revenue**

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

**Charity Care**

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

**Electronic Health Record Incentive Payments**

As discussed in Note 6, Prairie Lakes had recorded a receivable for funds under the Electronic Health Records (EHR) Incentive Program during the year ended May 31, 2012. There is not a receivable recorded at May 31, 2013. Prairie Lakes recognizes revenue at the completion of the EHR reporting period when all meaningful use objectives and any other specific grant requirements that are applicable are met, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years. The Health system has not yet met all requirements for the second year incentive payment.

**Employee Health Insurance**

Prairie Lakes maintains a self-insured employee health benefit program. Stop-loss has been purchased for individual losses in excess of \$70,000 at May 31, 2013 and 2012, through an insurance company. Estimated unprocessed claims and claims incurred but not reported at May 31, 2013 and 2012 were approximately \$1,198,000 and \$1,570,000, respectively, and are included as accrued salaries and employee benefits in the consolidated statements of financial position.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

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

**Donor-Restricted Gifts**

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

**Capital Grants and Contributions**

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

**Statements of Operations**

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

**Derivative Instruments and Hedging Activities**

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

**Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation**

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

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

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

**Subsequent Events**

In preparing the consolidated financial statement, the Health System has considered events and transactions that have occurred through August 21, 2013, the date in which the consolidated financial statements were available to be issued

**Fair Value of Financial Instruments**

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

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

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

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

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 2 to the consolidated financial statements for the fair market value disclosures of the Health System's financial instruments as of May 31, 2013 and 2012.

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

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

**Fair Value of Financial Instruments (Continued)**

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

**Adoption of Accounting Standard Update**

During 2013 the Health System adopted an accounting standard update "Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts" in the consolidated financial statements. The update results in net patient service revenue being presented net of the provision for uncollectible accounts for patient accounts the Health System did not believe were collectible at the time the service was provided. The change in the presentation results in net patient service revenue (after any provision for bad debts) that is more consistent to the actual revenue that the Health System expects to collect. The added disclosures will assist the users of the consolidated financial statements to better understand how the Health System recognizes patient service revenue and assesses uncollectible accounts. This standard was retroactively applied to the consolidated financial statements for the year ending May 31, 2012. The adoption has no impact, other than presentation, on the consolidated financial statements for the fiscal year ended May 31, 2012.



**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 2 INVESTMENTS**

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

A summary of investments by type at May 31, 2013 and 2012 is as follows

	2013	2012
Funds Designated by Board for Future Plant Replacement and Expansion		
Money Market Funds	\$ 20,810,598	\$ 8,595,915
Bonds - Government	296,729	2,138,053
Bonds - Corporate	14,763,198	11,091,563
Preferred Stocks	3,275,498	3,334,823
Equities	63,121,370	48,269,484
Accrued Interest	94,996	132,740
Total Funds Designated by Board for Future Plant Replacement and Expansion	102,362,389	73,562,578
Funds Designated by Board for Community Benefit		
Money Market Funds	700,098	1,500,000
Bonds - Corporate	501,955	-
Equities	1,008,525	-
Total Funds Designated by Board for Community Benefit	2,210,578	1,500,000
Investments		
Money Market Funds	556,470	745,171
Bonds - Corporate	-	2,214,498
Preferred Stocks	4,309,097	2,959,574
Equities	29,483,053	21,387,370
Accrued Interest	9,274	6,844
Total Investments	34,357,894	27,313,457
Funds Held by Trustee under Debt Agreement		
Money Market Funds	292,056	1,318
Bonds - Government	161,869	456,420
Total Funds Held by Trustee under Debt Agreement	453,925	457,738
Total Investments	\$ 139,384,786	\$ 102,833,773

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 2 INVESTMENTS (CONTINUED)**

Total investment return, all related to unrestricted net assets, net of fees paid of \$181,755 and \$151,092 for the years ended May 31, 2013 and 2012, respectively, consisted of the following

	<u>2013</u>	<u>2012</u>
<u>Other Revenue</u>		
Dividends and Interest Earned on Funds Held by Trustee	\$ 1,403	\$ 1,114
 <u>Non-Operating Gains</u>		
Other Dividends and Interest Earnings	200,918	267,231
Net Realized Gains on Investments	7,806,933	3,739,382
Net Unrealized Gains (Losses) on Investments	19,141,215	(2,350,033)
Total Non-Operating Gains	<u>27,149,066</u>	<u>1,656,580</u>
 Total Investment Return	 <u><u>\$ 27,150,469</u></u>	 <u><u>\$ 1,657,694</u></u>

**NOTE 3 PROPERTY, PLANT AND EQUIPMENT**

A summary of property, plant and equipment and the related accumulated depreciation at May 31, 2013 and 2012 is as follows

	<u>2013</u>	<u>2012</u>
Land and Improvements	\$ 7,743,003	\$ 7,723,216
Buildings and Fixed Equipment	73,758,099	73,159,123
Movable Equipment	25,352,129	24,837,513
Construction-in-Progress	247,773	-
Total Property, Plant and Equipment	<u>107,101,004</u>	<u>105,719,852</u>
Less Accumulated Depreciation	<u>55,643,207</u>	<u>51,680,743</u>
Property, Plant and Equipment, Net	<u><u>\$ 51,457,797</u></u>	<u><u>\$ 54,039,109</u></u>

**Construction-in-Progress**

At May 31, 2013, construction-in-progress included costs incurred mainly related to an ongoing facility electrical upgrade

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 4    LONG-TERM DEBT**

Long-term debt at May 31, 2013 and 2012, consisted of the following

<u>Description</u>	<u>2013</u>	<u>2012</u>
South Dakota Health and Education Facilities Authority Revenue Refunding Bonds, Series 2010 (Prairie Lakes Health Care System Issue), interest from 3.0% to 5.0%, due through 2020, secured by mortgage on the hospital facility and security interest in certain equipment, contract rights, and general intangibles of Prairie Lakes	\$ 15,745,000	\$ 17,640,000
Series 2010 Unamortized Premium	723,220	829,057
Total	16,468,220	18,469,057
Less Current Maturities	1,950,000	1,895,000
Long-Term Debt	<u>\$ 14,518,220</u>	<u>\$ 16,574,057</u>

**Restrictive Covenants**

Under the Series 2010 bonds, Prairie Lakes must meet certain operational and performance covenants and is limited in the amount of additional debt which can be incurred. Management believes Prairie Lakes was in compliance with all debt covenants as of May 31, 2013 and 2012.

Maturities of the Prairie Lakes' long-term debt at May 31, 2013 are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2014	\$ 1,950,000
2015	2,030,000
2016	2,130,000
2017	2,235,000
2018	2,345,000
Thereafter	5,055,000
Total	<u>\$ 15,745,000</u>

Prairie Lakes incurred \$753,686 and \$809,016 of interest expense during the years ended May 31, 2013 and 2012, respectively, of which no amounts were capitalized.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 5    NET PATIENT SERVICE REVENUE**

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

**Medicare**

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

**Medicaid**

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

Net revenue from the Medicare and Medicaid programs accounted for approximately 54% and 5%, respectively, of the Health System's net patient revenue for the year ended 2013, and 53% and 5%, respectively, of the Health System's net patient revenue for the year ended 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Uninsured Patients**

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 5    NET PATIENT SERVICE REVENUE (CONTINUED)**

**Uninsured Patients (Continued)**

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows

	<u>2013</u>	<u>2012</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts) from		
Third-Party Payors	\$ 73,815,028	\$ 74,627,405
Uninsured Patients	<u>3,653,115</u>	<u>4,302,772</u>
	77,468,143	78,930,177
 Provision for Uncollectible Accounts	 <u>(2,095,388)</u>	 <u>(3,484,501)</u>
 Net Patient Service Revenue Less Provision for Uncollectible Accounts	 <u><u>\$ 75,372,755</u></u>	 <u><u>\$ 75,445,676</u></u>

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

Gross patient service revenue at established rates less third-party payor contractual allowances and discounts and provision for uncollectible accounts for the years ended May 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Hospital Inpatient	\$ 51,108,446	\$ 51,681,950
Hospital Outpatient	72,793,634	72,245,264
Extended Care	9,749,566	9,359,829
Clinics	<u>5,605,543</u>	<u>5,796,962</u>
Gross Patient Service Revenue	139,257,189	139,084,005
Less Contractual Allowances and Discounts	61,789,046	60,153,828
Less Provision for Uncollectible Accounts	<u>2,095,388</u>	<u>3,484,501</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	<u><u>\$ 75,372,755</u></u>	<u><u>\$ 75,445,676</u></u>

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 6    ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM**

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

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

The Health System demonstrated meaningful use to the 90-day period ended April 14, 2012 in the year ended May 31, 2012. As of May 31, 2012, the Health System had recorded a receivable from Medicare for approximately \$1,550,000. The receivable is included in prepaid expenses and other on the consolidated statements of financial position. The incentive payment was received during the year ended May 31, 2013. The amount receivable in the fiscal year 2012 was recognized as other operating revenues in the consolidated statements of operations for the year ended May 31, 2012. The Health System recognizes revenue using the grant accounting model. The final amount of the incentive payment was determined during the year ended May 31, 2013 based on the cost report filed for the year ended May 31, 2012. The final payment materially agreed to the recorded receivable, and any difference in estimate was recorded as other operating revenues in the current year. The Health System has not yet met the full 365-day meaningful use attestation period for the second year of payment as of May 31, 2013, therefore, no receivable has been recorded as of year-end.

**NOTE 7    RETIREMENT PLANS**

**Pension Plan**

Prairie Lakes has a defined contribution retirement plan covering substantially all employees. Prairie Lakes matches 100% of the employees' contributions up to 3% of their salary, and contributions are made biweekly into the plan. For fiscal 2013 and 2012, pension expense was \$533,885 and \$559,972, respectively, and is included in salaries and benefits expense on the consolidated statements of operations.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 7 RETIREMENT PLANS (CONTINUED)**

**Deferred Compensation Plan**

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

**NOTE 8 COMMUNITY BENEFIT AND CHARITY CARE**

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

Prairie Lakes also provides medical care without charge or at a reduced charge to the residents of the community it serves. In October 2005, the Charity Care policy was modified by allowing for more residents to qualify for charity benefits. The revised policy increased eligibility for charity benefits by changing the patient income threshold to 200% of the Federal Poverty Guidelines. In addition, the eligibility formula now excludes some assets and limits the percent of income used in the calculation. In the year ended May 31, 2013, the charity care was modified to comply with the provisions of IRS 501(r), which provides for a discount from billed charges to those that qualify for financial assistance for medically necessary services. The level of charity care provided, as defined by services rendered without charge or at a reduced charge was approximately \$3,630,000 and \$3,227,000 for the years ended May 31, 2013 and 2012, respectively. The cost related to these services was approximately \$1,780,000 and \$1,534,000 for the years ended May 31, 2013 and 2012, respectively. The cost of charity care is estimated using the Health System's overall cost to charge ratios.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 9 CONCENTRATIONS OF CREDIT RISKS**

Prairie Lakes grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patient and third-party payors at May 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	29.7 %	28.7 %
Private Pay	28.3	30.3
Commercial and Other	26.5	27.4
Medicaid	2.7	3.0
Blue Cross	12.8	10.6
Total	<u>100.0 %</u>	<u>100.0 %</u>

**NOTE 10 FUNCTIONAL EXPENSES**

Prairie Lakes provides general health care services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations for the years ended May 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Health Care Services	\$ 58,964,651	\$ 56,542,233
General and Administrative	9,250,285	9,567,566
Total Expenses	<u>\$ 68,214,936</u>	<u>\$ 66,109,799</u>



**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Health System uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Health System measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Health System measured at fair value on a recurring basis as of May 31, 2013 and 2012.

2013	Level 1	Level 2	Level 3	Total
Funds Designated by Board for Future Plant Replacement and Expansion				
Bonds - Government	\$ 296,729	\$ -	\$ -	\$ 296,729
Bonds - Corporate	14,763,198	-	-	14,763,198
Preferred Stocks	3,275,498	-	-	3,275,498
Equities	63,121,370	-	-	63,121,370
	<u>81,456,795</u>	<u>-</u>	<u>-</u>	<u>81,456,795</u>
Funds Designated by Board for Community Benefit				
Bonds - Corporate	501,955	-	-	501,955
Equities	1,008,525	-	-	1,008,525
	<u>1,510,480</u>	<u>-</u>	<u>-</u>	<u>1,510,480</u>
Investments				
Preferred Stocks	4,309,097	-	-	4,309,097
Equities	29,483,053	-	-	29,483,053
	<u>33,792,150</u>	<u>-</u>	<u>-</u>	<u>33,792,150</u>
Funds Held by Trustee under Debt Agreement				
Bonds - Government	161,869	-	-	161,869
Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation				
	-	-	3,478,172	3,478,172
	<u>\$ 116,921,294</u>	<u>\$ -</u>	<u>\$ 3,478,172</u>	<u>\$ 120,399,466</u>

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

2012	Level 1	Level 2	Level 3	Total
Funds Designated by Board for Future Plant Replacement and Expansion				
Bonds - Government	\$ 2,138,053	\$ -	\$ -	\$ 2,138,053
Bonds - Corporate	10,801,563	290,000	-	11,091,563
Preferred Stocks	3,334,823	-	-	3,334,823
Equities	48,269,484	-	-	48,269,484
	<u>64,543,923</u>	<u>290,000</u>	<u>-</u>	<u>64,833,923</u>
Investments				
Bonds - Corporate	2,214,498	-	-	2,214,498
Preferred Stocks	2,959,574	-	-	2,959,574
Equities	21,387,370	-	-	21,387,370
	<u>26,561,442</u>	<u>-</u>	<u>-</u>	<u>26,561,442</u>
Funds Held by Trustee under Debt Agreement				
Bonds - Government	456,420	-	-	456,420
Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	-	-	2,938,636	2,938,636
	<u>\$ 91,561,785</u>	<u>\$ 290,000</u>	<u>\$ 2,938,636</u>	<u>\$ 94,790,421</u>

The following table provides a summary of changes to fair value of the Health System's Level 3 financial assets and liabilities for the years ended May 31, 2013 and 2012

	Beneficial Interest in Prairie Lakes Health Care Foundation
Fair Value at May 31, 2011	\$ 2,835,144
Change in Value of Beneficial Interest	103,492
Fair Value at May 31, 2012	2,938,636
Change in Value of Beneficial Interest	539,536
Fair Value at May 31, 2013	<u>\$ 3,478,172</u>

The key inputs for the valuation of the Level 3 beneficial interest in Prairie Lakes Health Care Foundation are the fair value of the underlying investments

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

The following disclosures represent financial instruments in which the ending balances at May 31, 2013 and 2012 are not carried at fair value in their entirety on the consolidated balance sheets.

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Refunding Revenue Bonds	\$ 15,745,000	\$ 17,236,000	\$ 17,640,000	\$ 19,567,000

The fair value of Prairie Lakes' refunding revenue bonds are estimated based on the quoted market prices for similar issues or by discounting expected cash flows at the rates currently offered to Prairie Lakes for debt of the same remaining maturities, as advised by investment bankers. This is considered a Level 3 item in the fair level hierarchy.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

Prairie Lakes leases certain space and equipment under both cancelable and noncancelable operating lease agreements. Rent expense, including operating expenses, under both cancelable and noncancelable operating leases was \$127,773 and \$162,810 for fiscal 2013 and 2012, respectively.

**Healthcare Legislation and Regulation**

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2013 AND 2012**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Healthcare Legislation and Regulation (Continued)**

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

**Malpractice Insurance**

The Health System has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim, an annual aggregate limit of \$3 million, with umbrella coverage up to \$5 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Coverage under the current policy extends to April 2014.

**NOTE 13 ADOPTION OF NEW ACCOUNTING STANDARD**

During the year ended May 31, 2013, the Health System adopted an accounting standard update for the "Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts" in the consolidated financial statements, as described in Note 1. This standard was retroactively applied to the consolidated financial statements for the year ended May 31, 2012. The following table reflects the impact of the reclassifications to the May 31, 2012 consolidated statement of operations.

**Consolidated Statement of Operations**

	As Previously Reported	Reclassifications	As Reclassified
Net Patient Service Revenue Less Provision for Uncollectible Accounts	\$ 78,930,177	\$ (3,484,501)	\$ 75,445,676