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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2012

Open to Public Inspection

A For the 2012 calendar year, or tax year beginning 07-01-2012 , 2012, and ending 06-30-2013

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	C Name of organization AVERA MARSHALL		D Employer identification number 41-0919153	
	Doing Business As AVERA MARSHALL REGIONAL MEDICAL CENTER			
	Number and street (or P O box if mail is not delivered to street address) 300 S BRUCE STREET		Room/suite	
	City or town, state or country, and ZIP + 4 MARSHALL, MN 562581934			
	F Name and address of principal officer MARY MAERTENS 300 S BRUCE STREET MARSHALL, MN 562581934		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)		
		H(c) Group exemption number ▶		
I 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				
J Website: ▶ WWW.AVERAMARSHALL.ORG				
K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation 1944	M State of legal domicile MN

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities PROMOTION OF HEALTH
	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)
	4	Number of independent voting members of the governing body (Part VI, line 1b)
	5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)
	6	Total number of volunteers (estimate if necessary)
	7a	Total unrelated business revenue from Part VIII, column (C), line 12
	b	Net unrelated business taxable income from Form 990-T, line 34
Revenue	8	Contributions and grants (Part VIII, line 1h)
	9	Program service revenue (Part VIII, line 2g)
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)
	14	Benefits paid to or for members (Part IX, column (A), line 4)
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)
	16a	Professional fundraising fees (Part IX, column (A), line 11e)
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶153,636
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)
	19	Revenue less expenses Subtract line 18 from line 12
Net Assets or Fund Balances		
	20	Total assets (Part X, line 16)
	21	Total liabilities (Part X, line 26)
	22	Net assets or fund balances Subtract line 21 from line 20

Part II

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here	*****		2014-05-13			
	Signature of officer		Date			
Paid Preparer Use Only	JAMES FUHRMANN BOARD CHAIR					
	Type or print name and title					
Prnt/Type preparer's name KIM HUNWARDSEN CPA		Preparer's signature		Date 2014-05-13	Check <input type="checkbox"/> if self-employed	PTIN P00484560
Firm's name ▶ EIDE BAILLY LLP		Firm's EIN ▶ 45-0250958				
Firm's address ▶ 800 NICOLLET MALL STE 1300 MINNEAPOLIS, MN 554027033		Phone no (612) 253-6500				

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

Part III

Statement of Program Service Accomplishments

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

☐ ☒

1

Briefly describe the organization’s mission

AVERA IS A HEALTH MINISTRY ROOTED IN THE GOSPEL OUR MISSION IS TO MAKE A POSITIVE IMPACT IN THE LIVES AND HEALTH OF PERSONS AND COMMUNITIES BY PROVIDING QUALITY SERVICES GUIDED BY CHRISTIAN VALUES

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☒ Yes ☐ No





















If “Yes,” describe these changes on Schedule O

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a	(Code) (Expenses \$ 32,202,435 including grants of \$ 515,774) (Revenue \$ 45,130,894)
	AVERA MARSHALL (DBA AVERA MARSHALL REGIONAL MEDICAL CENTER) IS A NON-PROFIT ORGANIZATION, AFFILIATED WITH AVERA HEALTH AVERA MARSHALL CONSISTS OF A 25-BED CRITICAL ACCESS HOSPITAL, AN ATTACHED 76-BED NURSING HOME, THREE PHYSICIAN CLINICS, AND FIVE OPTOMETRY CLINICS THE PHYSICIAN CLINICS INCLUDE SPECIALTY SERVICES (PRIMARY CARE, OB/GYN, PEDIATRICS, ORTHOPEDICS, GENERAL SURGERY, AND INTERNAL MEDICINE), PSYCHIATRY SERVICES AND OPHTHALMOLOGY SERVICES IN FISCAL YEAR 2013, AVERA MARSHALL HAD 3,868 PATIENT DAYS IN ADDITION TO 991 NEWBORN PATIENT DAYS, 255 SWING-BED DAYS, AND 1,808 BEHAVIORAL-HEALTH BED DAYS AWARDS AND RECOGNITIONAVERA MARSHALL HAS BEEN THE RECIPIENT OF FIVE SAFETY AWARDS FROM THE MINNESOTA HOSPITAL ASSOCIATION OVER THE PAST SEVERAL YEARS, INCLUDING SAFE FROM FALLS JUNE 2008, SAFE SITE OCTOBER 2008, SAFE COUNT JANUARY 2009, SAFE SKIN APRIL 2009, SAFE ACCOUNT MARCH 2011 STRATEGIC ACCOMPLISHMENTSJOINT VENTURES - A HOME MEDICAL EQUIPMENT STORE IN MARSHALL IS A JOINT VENTURE BETWEEN AVERA MARSHALL AND AVERA MCKENNAN IN SIOUX FALLS THE SHOWROOM FEATURES EQUIPMENT AND SUPPLIES RANGING FROM SMALL PERSONAL CARE ITEMS TO BEDS AND WHEELCHAIRS, IN ADDITION TO OXYGEN SUPPLIES AND SERVICE MANAGEMENT AGREEMENTS - AVERA MARSHALL HAS A "PARTNER IN HEALTH AGREEMENT" WITH OTHER NON-PROFIT ORGANIZATIONS, WHICH INCLUDE DIVINE PROVIDENCE HEALTH CENTER IN IVANHOE, MN AND WESTERN MENTAL HEALTH CENTER IN MARSHALL, MN PARTNERSHIPS - AVERA MARSHALL HAS A PARTNERSHIP ARRANGEMENT FOR THERAPY SERVICES WITH BIG STONE THERAPIES, INC , TO OFFER HOSPITAL AND LONG TERM CARE BASED SERVICES TO INPATIENTS AND OUTPATIENTS PHYSICIAN RECRUITMENT - AVERA MARSHALL HAS BEEN SUCCESSFUL IN RECRUITING 30 PROVIDERS TO THE AVERA MEDICAL GROUP SINCE 2009 SURGERY CENTER - A NEW SURGERY CENTER OPENED IN THE SUMMER OF 2010, FEATURING STATE-OF-THE ART EQUIPMENT AND DESIGN CONCEPTS IT INCLUDES THE SAME DAY SURGERY CENTER AND PROCEDURE/TREATMENT ROOMS, ALONG WITH FOUR COMPLETE OPERATING ROOMS AVERA MARSHALL BEGAN OFFERING MEDICATION THERAPY MANAGEMENT THROUGH THE PHARMACY DEPARTMENT IN OCTOBER 2012 DURING FISCAL YEAR 2013, AVERA MARSHALL COMPLETED ITS COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) MORE INFORMATION IS AVAILABLE LATER IN THIS DOCUMENT ON THE DETAILS OF THE FINDINGS AVERA MARSHALL WORKED WITH AVERA MARSHALL FOUNDATION AND AVERA MCKENNAN ON A CAPITAL CAMPAIGN FOR A CANCER CENTER (RADIATION THERAPY) DURING FISCAL YEAR 2013
4b	(Code) (Expenses \$ 6,024,052 including grants of \$) (Revenue \$ 6,117,906)
	AGING SERVICES - THE NEIGHBORHOOD MODEL HAS RESULTED IN CHANGES TO THE WAY CARE IS PROVIDED IN THE LONG TERM CARE FACILITY MORE CHOICES FROM THE RESIDENT ON SCHEDULES, ACTIVITIES AND DINING EXPERIENCES HAS RESULTED IN SOME REMODELING AND MODIFIED STAFFING PATTERNS CARE TRANSITIONS OFFERS INDIVIDUALS A PLACE FOR RECOVERY AND REHAB FOLLOWING AN ILLNESS, INJURY OR SURGERY
4c	(Code) (Expenses \$ 10,860,092 including grants of \$) (Revenue \$ 8,184,993)
	CLINIC ADDITION - DURING FISCAL YEAR 2013, A PHYSICIAN OFFICE BUILDING WAS COMPLETED THAT ADDED 40 CLINIC ROOMS, LAB AND IMAGING SPACE THE SINGULAR LOCATION FOR AVERA MEDICAL GROUP SPECIALTY PHYSICIANS TO OFFER THEIR SERVICES HAS ENHANCED THE PATIENT EXPERIENCE AND CREATED A WELCOME, PRIVATE ENVIRONMENT FOR PEOPLE NEEDING PHYSICIAN SERVICES AVERA MARSHALL EXPANDED INTO FAMILY PRACTICE COVERAGE DURING THIS YEAR AT THE CONCLUSION OF FISCAL 2013 AVERA MARSHALL HAS 7 FAMILY PRACTICE PROVIDERS THE EXPLOSION OF GROWTH SEEN WITHIN FAMILY PRACTICE CREATED A NEED FOR ADDITIONAL CLINIC SPACE IN AUGUST 2013, THE FAMILY PRACTICE PROVIDERS MOVED TO A NEW LOCATION WITHIN THE HOSPITAL CAMPUS AVERA MARSHALL ALSO PREPARED TO OPEN A FAMILY PRACTICE CLINIC IN IVANHOE, MN SCHEDULED TO OPEN IN JULY 2013 WITH ANOTHER FAMILY PRACTICE CLINIC EXPECTED TO BE OPEN IN REDWOOD FALLS LATER IN 2013 PODIATRY SERVICES BEGAN IN SEPTEMBER 2012 A MEDICAL WEIGHT LOSS PROGRAM BEGAN IN JANUARY 2013 PALLIATIVE MEDICINE BECAME A CERTIFIED PROGRAM IN JANUARY 2013 LASIK AND ISENT SERVICES WERE ADDED TO THE WIDE RANGE OF OPTOMETRY AND OPHTHALMOLOGY SERVICES ALREADY AVAILABLE WITHIN MARSHALL AND FOUR OTHER COMMUNITIES OUTREACH - AVERA MARSHALL PROVIDES OUTREACH LOCATIONS FOR GENERAL SURGERY, OB/GYN, ORTHOPEDICS AND OPHTHALMOLOGY INCREASING ACCESS IN LOCAL COMMUNITIES BY BRINGING THE SPECIALIST TO PEOPLE AND MAKING IT CONVENIENT FOR THOSE WHO NEED CARE THIS IS ESPECIALLY IMPORTANT FOR THE ELDERLY POPULATIONS WHO HAVE CONCERNS ABOUT TRAVEL OR PHYSICAL LIMITATIONS AT THE CONCLUSION OF FISCAL YEAR 2013 AVERA MARSHALL WAS MAKING PREPARATIONS TO ADD AN ENT AND CARDIOLOGY OUTREACH SERVICES IN MARSHALL
4d	Other program services (Describe in Schedule O)
	(Expenses \$ including grants of \$) (Revenue \$)
4e	Total program service expenses ▶ 49,086,579

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 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 Yes	
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	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 Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI 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	Yes	
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		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <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	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, 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	Yes	
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	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

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

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	81	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	569
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).		2b	Yes
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?		3a	Yes
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.		3b	Yes
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a	No
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a	No
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b	No
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c	
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		6a	No
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b	
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		7a	No
b If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c	No
d If "Yes," indicate the number of Forms 8282 filed during the year.		7d	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e	No
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f	No
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g	
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h	
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8	
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?		9a	
b Did the organization make a distribution to a donor, donor advisor, or related person?		9b	
10 Section 501(c)(7) organizations. Enter			
a Initiation fees and capital contributions included on Part VIII, line 12.		10a	
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.		10b	
11 Section 501(c)(12) organizations. Enter			
a Gross income from members or shareholders.		11a	
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).		11b	
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?		12a	
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.		12b	
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		13a	
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.		13b	
c Enter the amount of reserves on hand.		13c	
14a Did the organization receive any payments for indoor tanning services during the tax year?		14a	No
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.		14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

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

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	12	
	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	1b	8	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	MN
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	SHARON WILLIAMS 300 S BRUCE ST MARSHALL, MN (507) 537-9150

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) JAMES H FUHRMANN CHAIR	1 30 0 00	X		X				0	0	0
(2) RANDY GAFFNEY VICE CHAIR	1 30 0 00	X		X				0	0	0
(3) ROGER PABST OD DIRECTOR/PHYSICIAN	40 00 0 00	X						204,539	0	11,070
(4) ARTHUR M OLSON DIRECTOR	1 30 20	X						0	0	0
(5) MICHAEL K RICH DIRECTOR	1 30 20	X						0	0	0
(6) PAUL J PUETZ DC DIRECTOR (PARTIAL YEAR)	1 30 0 00	X						0	0	0
(7) SR MARY J REICHELT DIRECTOR	1 30 4 50	X						0	0	0
(8) SR JOANN STURZL DIRECTOR	1 30 1 00	X						0	0	0
(9) SR JODELLE A ZIMMERMAN DIRECTOR	1 30 0 00	X						0	0	0
(10) DONNA HARTFIEL MD DIRECTOR/PHYSICIAN	40 00 0 00	X						0	328,912	14,682
(11) RANDY SERREYN DIRECTOR	1 30 0 00	X						0	0	0
(12) TODD BOCK DIRECTOR	1 30 0 00	X						0	0	0
(13) MARY B MAERTENS PRESIDENT & CEO	40 00 1 10	X		X				0	313,873	49,693
(14) SHARON WILLIAMS SEC/TREAS & VP FINANCE	40 00 10			X				150,275	0	22,754
(15) EDWARD WOLSKE MD PHYSICIAN	40 00 0 00					X		447,214	0	32,939
(16) OMER QUREISHY MD PHYSICIAN	40 00 0 00					X		424,999	0	22,912
(17) CHRIS BUNTROCK MD PHYSICIAN	40 00 0 00					X		382,339	0	26,589

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	2,582,077	642,785	222,632

2 Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 31

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

Section B. Independent Contractors

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

(A)	(B)	(C)
Name and business address	Description of services	Compensation
SUSSNER CONSTRUCTION INC 2020 OCONNELL ST MARSHALL MN 56258	CONSTRUCTION	4,633,297
AVERA HEALTH 3900 W AVERA DR STE 301 SIOUX FALLS SD 57105	CENTRAL SERVICE FEES	4,031,031
AVERA MCKENNAN 1001 E 21ST ST STE 401 SIOUX FALLS SD 57105	PHYSICIANS AND ANCILIARY	2,034,922
BST MARSHALL LLC 309 WASHINGTON AVE ORTONVILLE MN 56278	THERAPY SERVICES	1,358,232
ELITE HOSPITALISTS LLC 350 11TH AVE STE 830 SAN DIEGO CA 92101	LOCUM PHYSICIANS	908,260

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►23

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	1,076,063					
	e	Government grants (contributions)	1e	37,333					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	83,990					
	g	Noncash contributions included in lines 1a-1f \$							
	h	Total. Add lines 1a-1f			1,197,386				
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 622110	57,031,288	57,031,288				
	b	PHARMACY REVENUE	900099	1,403,002	1,403,002				
	c	CAFETERIA REVENUE	900099	286,208	236,840	49,368			
	d	GAIN ON AUXILIARY	900099	235,345	235,345				
	e	EQUITY EARNINGS OF AFFILIATED ORG	900099	65,174	45,139	20,035			
	f	All other program service revenue		373,394	294,598	78,796			
	g	Total. Add lines 2a-2f			59,394,411				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		789			789	
4		Income from investment of tax-exempt bond proceeds							
5		Royalties							
6a		Gross rents	(i) Real 223,492	(ii) Personal					
		b	Less rental expenses	211,933					
		c	Rental income or (loss)	11,559					
		d	Net rental income or (loss)						11,559
7a		Gross amount from sales of assets other than inventory	(i) Securities 883,271	(ii) Other					
		b	Less cost or other basis and sales expenses	0					
		c	Gain or (loss)	883,271					
		d	Net gain or (loss)						883,271
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	OPERATING INTEREST INCOME		900099	39,382	39,382				
b									
c									
d	All other revenue								
e	Total. Add lines 11a-11d			39,382					
12	Total revenue. See Instructions			61,526,798	59,285,594	148,199	895,619		

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.	441,333	441,333		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	74,441	74,441		
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.	712,712	540,021	172,691	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	96,559	96,559		
7	Other salaries and wages.	24,667,508	22,336,570	2,210,725	120,213
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	1,235,940	1,089,704	140,218	6,018
9	Other employee benefits.	3,206,046	2,838,018	354,603	13,425
10	Payroll taxes.	1,483,055	1,302,610	171,912	8,533
11	Fees for services (non-employees):				
a	Management.	1,561,984		1,561,984	
b	Legal.	547,466		547,466	
c	Accounting.	58,308		58,308	
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).	5,610,543	4,579,534	1,031,009	
12	Advertising and promotion.	387,188		387,188	
13	Office expenses.	739,409	661,958	76,565	886
14	Information technology.	722,102	45,889	676,213	
15	Royalties.				
16	Occupancy.	1,006,982	983,882	23,100	
17	Travel.	208,656	136,576	71,507	573
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	528,188	528,188		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	3,972,831	3,587,713	383,921	1,197
23	Insurance.	287,255	123,611	163,644	
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	MEDICAL SUPPLIES	6,641,629	6,622,297	19,320	12
b	FEES, TAXES AND SURCHAR	1,416,609	318,880	1,097,729	
c	BAD DEBT EXPENSE	1,142,505	1,142,505		
d	RECRUITMENT	976,178		976,178	
e	All other expenses	1,925,030	1,636,290	285,961	2,779
25	Total functional expenses. Add lines 1 through 24e.	59,650,457	49,086,579	10,410,242	153,636
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	
	2	Savings and temporary cash investments		3,749,900	2	2,723,800
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		6,290,693	4	7,426,430
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		145,625	5	28,542
	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			7	
	8	Inventories for sale or use		1,315,996	8	1,243,708
	9	Prepaid expenses and deferred charges		1,012,886	9	1,078,777
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a72,739,863			
	b	Less accumulated depreciation	10b42,218,914	29,508,647	10c	30,520,949
	11	Investments—publicly traded securities		250,000	11	0
	12	Investments—other securities See Part IV, line 11		24,734,583	12	22,896,260
	13	Investments—program-related See Part IV, line 11		1,307,474	13	1,471,708
	14	Intangible assets		247,711	14	212,145
	15	Other assets See Part IV, line 11			15	
	16	Total assets. Add lines 1 through 15 (must equal line 34)		68,563,515	16	67,602,319
Liabilities	17	Accounts payable and accrued expenses		4,846,001	17	4,332,519
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		17,767,352	20	17,361,697
	21	Escrow or custodial account liability Complete Part IV of Schedule D		5,281	21	4,602
	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		1,571,502	25	1,039,169
	26	Total liabilities. Add lines 17 through 25		24,190,136	26	22,737,987
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		44,373,379	27	44,864,332
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		44,373,379	33	44,864,332
	34	Total liabilities and net assets/fund balances		68,563,515	34	67,602,319

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	61,526,798
2	Total expenses (must equal Part IX, column (A), line 25)	2	59,650,457
3	Revenue less expenses Subtract line 2 from line 1	3	1,876,341
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	44,373,379
5	Net unrealized gains (losses) on investments	5	782,670
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-2,168,058
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	44,864,332

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 AVERA MARSHALL	Employer identification number 41-0919153
--	--

Part I

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

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

- 1

☐

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

☐

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

☒

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

☐

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

☐

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

☐

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

☐

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

☐

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

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

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

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - 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									

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 IIISupport 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 C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization AVERA MARSHALL	Employer identification number 41-0919153
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

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

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

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

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

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

Part II-A

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

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes	<input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		2,924
j	Total. Add lines 1c through 1i.			2,924
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912.			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912.			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

Part III-B

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

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

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	AVERA MARSHALL PAID DUES TO ORGANIZATIONS WHICH HAVE A PORTION OF THE DUES ATTRIBUTED TO LOBBYING ACTIVITIES

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 AVERA MARSHALL	Employer identification number 41-0919153
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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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

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

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

☐ Preservation of land for public use (e g , recreation or 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	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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

(ii)

related organizations

b

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

	Yes	No
3a(i)		
3a(ii)		
3b		

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	507,112		507,112
b	Buildings	44,323,365	22,981,432	21,341,933
c	Leasehold improvements			
d	Equipment	25,614,355	18,547,851	7,066,504
e	Other	2,295,031	689,631	1,605,400
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				30,520,949

Part XIReconciliation of Revenue per Audited Financial Statements With Revenue per Return					
1	Total revenue, gains, and other support per audited financial statements			1	60,367,142
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	782,670		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-1,029,897		
e	Add lines 2a through 2d			2e	-247,227
3	Subtract line 2e from line 1			3	60,614,369
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	912,429		
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	61,526,798
Part XIIReconciliation of Expenses per Audited Financial Statements With Expenses per Return					
1	Total expenses and losses per audited financial statements			1	58,373,721
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	207,508		
e	Add lines 2a through 2d			2e	207,508
3	Subtract line 2e from line 1			3	58,166,213
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	1,484,244		
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	59,650,457

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
	PART IV, LINE 2B	THE ORGANIZATION HOLDS FUNDS ON BEHALF OF ITS RESIDENTS
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE MEDICAL CENTER IS A MINNESOTA NONPROFIT CORPORATION AND HAS BEEN RECOGNIZED BY THE INTERNAL REVENUE SERVICE (IRS) AS EXEMPT FROM FEDERAL INCOME TAXES UNDER INTERNAL REVENUE CODE SECTION 501(C)(3). THE MEDICAL CENTER AND FOUNDATION ARE ANNUALLY REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE IRS. IN ADDITION, THE MEDICAL CENTER IS SUBJECT TO INCOME TAX ON NET INCOME THAT IS DERIVED FROM BUSINESS ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE. THE MEDICAL CENTER FILES AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT ITS UNRELATED BUSINESS TAXABLE INCOME. STATE TAX FILINGS ARE ALSO REQUIRED IN THE STATE OF MINNESOTA. MANAGEMENT HAS DETERMINED THAT THE FOUNDATION IS NOT SUBJECT TO UNRELATED BUSINESS TAXABLE INCOME. THE MEDICAL CENTER BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS. THE MEDICAL CENTER WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED. THE MEDICAL CENTER'S FEDERAL FORM 990T FILINGS ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2010. GENERALLY, 990 FILINGS FOR THE MEDICAL CENTER ARE ALSO NOT SUBJECT TO FEDERAL AND STATE TAX EXAMINATIONS BEFORE 2010.
PART XI, LINE 2D - OTHER ADJUSTMENTS		EXPENSES RECORDED IN REVENUE ON FINANCIAL STATEMENTS -41,739. FOUNDATION REVENUE INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS 54,347. PROVISION FOR BAD DEBTS IN REVENUE ON FINANCIAL STATEMENTS -1,042,505.
PART XI, LINE 4B - OTHER ADJUSTMENTS		CONTRIBUTIONS RECORDED IN FUND BALANCE ON FINANCIAL STATEMENTS 1,065,590. RENTAL EXPENSES IN EXPENSES ON FINANCIAL STATEMENTS -153,161.
PART XII, LINE 2D - OTHER ADJUSTMENTS		FOUNDATION EXPENSES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS 54,347. RENTAL EXPENSES IN EXPENSES ON FINANCIAL STATEMENTS 153,161.
PART XII, LINE 4B - OTHER ADJUSTMENTS		EXPENSES RECORDED IN REVENUE ON FINANCIAL STATEMENTS 41,739. PROVISION FOR BAD DEBTS IN REVENUE ON FINANCIAL STATEMENTS 1,042,505. GRANT EXPENSE NOT INCLUDED IN FINANCIAL STATEMENTS 400,000.

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
AVERA MARSHALL

Employer identification number
41-0919153

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 _____ %	3a	Yes	
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 type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	3b	Yes	
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"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	Yes	
b	If "Yes," did the organization make it available to the public?	6b	Yes	
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		450	205,310		205,310	0 350 %
b Medicaid (from Worksheet 3, column a)			2,403,180	1,361,520	1,041,660	1 780 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs		450	2,608,490	1,361,520	1,246,970	2 130 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	4		114,980		114,980	0 200 %
f Health professions education (from Worksheet 5)			75,000		75,000	0 130 %
g Subsidized health services (from Worksheet 6)	3		5,104,669	4,258,035	846,634	1 440 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)	4		51,178		51,178	0 090 %
j Total. Other Benefits	11		5,345,827	4,258,035	1,087,792	1 860 %
k Total. Add lines 7d and 7j	11	450	7,954,317	5,619,555	2,334,762	3 990 %

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	2	6,071		6,071	0 010 %
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy	1	1,748		1,748	0 %
8	Workforce development	2	6,033	390	5,643	0 010 %
9	Other					
10	Total	5	13,852	390	13,462	0 020 %

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

1,042,505

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

12,192,836

6

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

6

12,238,223

7

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

7

-45,387

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

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

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

9b

Yes

Part IV

Management Companies and Joint Ventures

(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	AVERA MARSHALL REGIONAL MEDICAL CENTER 300 S BRUCE STREET MARSHALL, MN 56258	X	X			X		X		PROVIDER BASED, SPECIALTY, AND PSYCHIATRIC CLINIC	

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)

AVERA MARSHALL

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 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 type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input checked="" 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
9 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?		9	Yes
10 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		10	Yes
11 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>400 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes
a <input checked="" type="checkbox"/> Income level			
b <input checked="" type="checkbox"/> Asset level			
c <input checked="" type="checkbox"/> Medical indigency			
d <input checked="" type="checkbox"/> Insurance status			
e <input checked="" type="checkbox"/> Uninsured discount			
f <input checked="" type="checkbox"/> Medicaid/Medicare			
g <input checked="" type="checkbox"/> State regulation			
h <input type="checkbox"/> Other (describe in Part VI)			
13 Explained the method for applying for financial assistance?		13	Yes
14 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)		14	Yes
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
b <input type="checkbox"/> The policy was attached to billing invoices			
c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
e <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
f <input checked="" type="checkbox"/> The policy was available upon request			
g <input checked="" type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
15 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?		15	Yes
16 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			
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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?		17	No
If "Yes," check all actions in which the hospital facility or a third party engaged			
a <input type="checkbox"/> Reporting to credit agency			
b <input type="checkbox"/> Lawsuits			
c <input type="checkbox"/> Liens on residences			
d <input type="checkbox"/> Body attachments			
e <input type="checkbox"/> Other similar actions (describe in Part VI)			

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	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

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 checked="" 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 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	21		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	22	Yes	

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?

7

Name and address	Type of Facility (describe)
1 AVERA MORNINGSIDE HEIGHTS CARE CENTER 300 S BRUCE STREET MARSHALL, MN 56258	NURSING HOME, ADULT DAYCARE
2 AVERA MARSHALL SW OPHTHALMOLOGY 300 S BRUCE STREET MARSHALL, MN 56258	OPHTHALMOLOGY, OPTICAL
3 AM GROUP OPTOMETRY REDWOOD FALLS 500 E BRIDGE STREET REDWOOD FALLS, MN 56283	OPTOMETRY, OPHTHALMOLOGY, OPTICAL
4 AVERA MARSHALL GROUP OPTOMETRY WINDOM 1006 4TH AVENUE WINDOM, MN 56101	OPTOMETRY, OPHTHALMOLOGY, OPTICAL
5 AM GROUP OPTOMETRY SPRINGFIELD 602 N JACKSON SPRINGFIELD, MN 56087	OPTOMETRY, OPHTHALMOLOGY, OPTICAL
6 AVERA MARSHALL CURAQUICK 900 E MAIN STREET MARSHALL, MN 56258	CONVENIENCE CLINIC
7 AVERA MARSHALL GROUP OPTOMETRY TRACY 505 STATE STREET TRACY, MN 56175	OPTOMETRY, OPHTHALMOLOGY, OPTICAL
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 PATIENTS WITH INCOME LESS THAN 400% OF THE POVERTY GUIDELINES ARE ELIGIBLE FOR FINANCIAL ASSISTANCE THE ORGANIZATION HAS A GRID THAT LOOKS AT INCOME, ASSETS AND BALANCE OF CURRENT MEDICAL CLAIMS TO DETERMINE ELIGIBILITY BASED UPON A SLIDING SCALE IT IS POSSIBLE TO RECEIVE ASSISTANCE FROM ZERO TO 100%
		PART I, LINE 6A THE AVERA MARSHALL COMMUNITY BENEFIT REPORT IS CONTAINED WITHIN A REPORT PREPARED BY AVERA HEALTH, A RELATED ORGANIZATION IT IS AVAILABLE THROUGH THE WEBSITE AND REQUESTED MAILING, AND IS FILED WITH THE CATHOLIC HEALTH ASSOCIATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 CHARITY CARE AND UNREIMBURSED MEDICAID WAS CONVERTED TO COST USING THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2 LINES 7E - I ARE GATHERED FROM EXPENSES REPORTED IN THE GENERAL LEDGER
		PART I, LINE 7G SUBSIDIZED HEALTH INCLUDES EXPENSES RELATED TO A PSYCHIATRIC CLINIC WITH COMMUNITY BENEFIT EXPENSES OF \$2,069,987

Identifier	ReturnReference	Explanation
		PART I, L7 COL(F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$1,042,505
		PART II THE AMOUNTS REPORTED AS COMMUNITY BUILDING INCLUDE MONETARY AND IN-KIND DONATIONS TO COMMUNITY ORGANIZATIONS TO SUPPORT THE NEEDS OF THE COMMUNITY BEYOND THE NEED FOR HEALTHCARE AVERA MARSHALL'S EMPLOYEES AND MANAGEMENT ALSO VOLUNTEER AND PARTICIPATE IN AREA COMMUNITY ORGANIZATIONS THESE ORGANIZATIONS INCLUDE NON-PROFIT AND CIVIC ORGANIZATIONS AVERA MARSHALL ALSO ENCOURAGES MIDDLE-SCHOOL AGED STUDENTS TO CONSIDER A CAREER IN HEALTHCARE THROUGH THEIR SCRUBS CAMP WHICH IS A ONE-DAY PROGRAM THESE CONTRIBUTIONS STRENGTHEN THE COMMUNITY BY FOCUSING ON UNDERLYING CAUSES OF HEALTH CARE ISSUES

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT EXPENSE IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION AVERA MARSHALL DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO MAY QUALIFY FOR FINANCIAL ASSISTANCE SINCE EVALUATIONS ARE COMPLETED TO DETERMINE THOSE AMOUNTS DUE AND WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS OF THE EVALUATION OF THE AMOUNT BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF REDUCES BAD DEBT EXPENSE IN THE CURRENT YEAR THE FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSES IS LOCATED IN FOOTNOTE 1 ON PAGE 9 OF THE ATTACHED FINANCIAL STATEMENTS
		PART III, LINE 8 AVERA MARSHALL PROVIDES SERVICES TO PATIENTS UNDER THE MEDICARE PROGRAM KNOWING THEY WILL NOT RECOVER ALL THE COSTS ASSOCIATED WITH PROVIDING THESE SERVICES PROVIDING THESE SERVICES IS ESSENTIAL TO THESE PATIENTS AND THE COMMUNITY AND INCREASES THEIR ACCESS TO HEALTHCARE SERVICES THEREFORE, THE MEDICARE SHORTFALL IS CONSIDERED A COMMUNITY BENEFIT MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CENTERS FOR MEDICARE AND MEDICAID SERVICES

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF THE PATIENT QUALIFIES FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME, UNINSURED PATIENTS AND IS COOPERATING WITH THE ORGANIZATION WITH REGARD TO EFFORTS TO SETTLE AN OUTSTANDING BILL WITHIN A REASONABLE TIME PERIOD, THE ORGANIZATION OR ITS AGENT SHALL NOT SEND, NOR INDICATE THAT IT WILL SEND, THE UNPAID BILL TO ANY OUTSIDE COLLECTION AGENCY AT SUCH TIME AS THE ORGANIZATION SENDS THE UNCOLLECTED ACCOUNT TO AN OUTSIDE COLLECTION AGENCY, THE AMOUNT REFERRED TO THE AGENCY SHALL REFLECT THE REDUCED-PAYMENT LEVEL FOR WHICH THE PATIENT WAS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME UNINSURED PATIENTS AVERA MARSHALL DOES NOT REPORT ANY DATA TO ANY OF THE CREDIT AGENCIES, HOWEVER, THE COLLECTION AGENCIES AVERA MARSHALL UTILIZES MAY REPORT TO THE CREDIT AGENCIES ANY EXTENDED PAYMENT PLANS OFFERED BY THE HOSPITAL, OR THE HOSPITAL'S REPRESENTATIVE, IN SETTLING THE OUTSTANDING BILLS OF PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SHALL BE INTEREST-FREE SO LONG AS THE REPAYMENT SCHEDULE IS MET
AVERA MARSHALL		PART V, SECTION B, LINE 3 IN 2012, AVERA MARSHALL ORCHESTRATED A COMMUNITY NEEDS ASSESSMENT USING THE FOLLOWING INFORMATION FOCUS GROUP SESSIONS WERE HELD WITH THE FOLLOWING PARTICIPANTS COMMUNITY LEADERS FROM TOWNS IN THE COUNTY, BUSINESS LEADERS, LAW ENFORCEMENT, AGING SERVICES, PARENTS AND FAMILIES OF GAY AND LESBIANS, EDUCATORS, CITY OFFICIALS, COUNTY WORKERS, LEGAL PROVIDERS, NON-PROFIT ORGANIZATIONS, LEGISLATORS, ER NURSES, PATIENTS AND MINORITY GROUPS REPRESENTED BY SOMALI AND HISPANIC COMMUNITIES

Identifier	ReturnReference	Explanation
AVERA MARSHALL		PART V, SECTION B, LINE 5C THE CHNA IS AVAILABLE AT THE FOLLOWING WEBSITE HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/
AVERA MARSHALL		PART V, SECTION B, LINE 6I 1) AVERA MARSHALL IS WORKING WITH MANY GROUPS AND PROVIDERS IN THE COMMUNITY TO IMPROVE MENTAL HEALTH SERVICES 2) AVERA MARSHALL BROKE GROUND FOR A NEW CANCER CENTER (RADIATION THERAPY IN OCTOBER 2013) THE FIRST PATIENT IS EXPECTED TO RECEIVE SERVICES SOMETIME BETWEEN DECEMBER 2014 AND FEBRUARY 2015 3) AVERA MARSHALL IS CONTINUING TO BRING IN ADDITIONAL PROVIDERS TO PROVIDE SERVICES NEEDED WITHIN THE COMMUNITY 4) AVERA MARSHALL HAS COLLABORATED WITH SOUTHWEST MN HEALTH AND HUMAN SERVICES AND WESTERN COMMUNITY ACTION TO CREATE A TRANSPORTATION VOUCHER SYSTEM TO BE USED BY INDIVIDUALS IN NEED OF TRANSPORTATION WITHIN THE COMMUNITY THE IMPLEMENTATION STRATEGY IS AVAILABLE AT THE FOLLOWING WEBSITE HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/

Identifier	ReturnReference	Explanation
AVERA MARSHALL		PART V, SECTION B, LINE 7 CONSTRUCTION WAS BEGUN ON THE AVERA CANCER INSTITUTE MARSHALL IT WILL NOT BE COMPLETED IN CY 2014 THE PROJECTED COMPLETION IS FOR FEBRUARY 2015 AVERA MARSHALL MET WITH WESTERN COMMUNITY ACTION AND SWMN HEALTH AND HUMAN SERVICES TO IMPROVE TRANSPORTATION FOR THOSE RECEIVING MEDICAL CARE PROJECT WAS NOT COMPLETED THIS FISCAL YEAR, BUT IT IS SET TO LAUNCH IN JANUARY 2014 DENTAL CARE AND CULTURAL COMPETENCE ARE NOT AREAS IN WHICH AVERA MARSHALL HAS EXPERTISE THEREFORE, WE WILL NOT BE DIRECTLY ADDRESSING THESE NEEDS AT THIS TIME AVERA MARSHALL DID NOT EXPAND OUR EXISTING PARTNERSHIP WITH THE YMCA WE CURRENTLY HAVE A PARTNERSHIP WITH THE YMCA, AND WE DO NOT HAVE PLANS TO GROW THIS PARTNERSHIP AT THIS TIME
AVERA MARSHALL		PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED IN THE HOSPITAL FACILITY'S EMERGENCY ROOM, WAITING ROOMS, AND ADMISSIONS OFFICE AND INCLUDED IN THE BILLING STATEMENT IN ADDITION, THE FINANCIAL ASSISTANCE POLICY IS DISCUSSED WITH THE PATIENT UPON ADMISSION TO THE FACILITY

Identifier	ReturnReference	Explanation
AVERA MARSHALL		PART V, SECTION B, LINE 22 INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE ARE NOT CHARGED GROSS CHARGES FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE, HOWEVER MAY BE CHARGED GROSS CHARGES FOR ELECTIVE CARE
		PART VI, LINE 2 AVERA MARSHALL, IN CONJUNCTION WITH SEVERAL OTHER AGENCIES LOCATED IN THE CITY OF MARSHALL AND THE SURROUNDING AREAS, COLLABORATED TO PUT TOGETHER A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) FOCUS GROUPS WERE USED TO GATHER THIS COLLABORATED COMMUNITY INFORMATION FOCUS GROUPS INCLUDED PATIENTS, LAW ENFORCEMENT, CITY OFFICIALS, AGING SERVICES PROVIDERS, COUNTY WORKERS, LEGAL PROVIDERS, MINORITY GROUPS, HEALTH PROVIDERS, NON-PROFIT ORGANIZATIONS, UNITED WAY, FARMERS, BUSINESS OWNERS AND LEGISLATORS REPORTS AND DATA FROM OTHER AGENCIES WERE GATHERED AS PART OF THE PROCESS AND USED AS BACKGROUND OR STATISTICAL ANALYSIS THE CHNA WAS COMPLETED IN LATE CALENDAR YEAR 2012

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 ANYONE WHO IS UNINSURED RECEIVES A LETTER WITH THEIR ITEMIZED BILL WHICH DESCRIBES BOTH THE UNINSURED PROGRAM AND THE CHARITY CARE PROGRAM ANY UNINSURED PATIENT IS CONTACTED BY PHONE OR LETTER BY THE COLLECTIONS DEPARTMENT AT WHICH TIME THE PROGRAMS ARE DESCRIBED ALSO, INPATIENT AND SAME DAY SURGERY PATIENTS RECEIVE A BROCHURE IN THEIR ADMISSIONS PACKET PRE-COLLECTION LETTERS ALSO INCLUDE INFORMATION REGARDING THE CHARITY CARE AND UNINSURED PROGRAMS
		PART VI, LINE 4 AVERA MARSHALL'S SERVICE AREA INCLUDES LYON COUNTY AND SURROUNDING COUNTIES IN MINNESOTA IN 2012, THE POPULATION FOR LYON COUNTY WAS ESTIMATED TO BE 25,543 APPROXIMATELY 14 1% OF THE POPULATION IS AGE 65 OR OLDER THE AVERAGE PER CAPITA INCOME IS \$24,427 AND APPROXIMATELY 14% OF INDIVIDUALS ARE BELOW THE FEDERAL POVERTY LEVEL THE NEAREST HOSPITAL IN THE AREA IS APPROXIMATELY 22 MILES FROM AVERA MARSHALL

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE ORGANIZATION'S GOVERNING BODY IS COMPRISED OF VOLUNTEER MEMBERS WHO RESIDE IN THE COMMUNITY MEDICAL STAFF PRIVILEGES ARE EXTENDED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY SURPLUS FUNDS ARE REINVESTED IN FACILITIES TO IMPROVE PATIENT CARE CHARITY CARE IS AVAILABLE FOR THOSE WITH A DIMINISHED ABILITY TO PAY IN ADDITION, AVERA MARSHALL IS THE SOLE PROVIDER FOR HOSPITAL INPATIENT CARE, THE ONLY PHYSICIAN STAFFED 24/7 ER, BIRTHING CENTER AND FULL SERVICE SURGERY CENTER AS A RESULT OF THE MISSION STATEMENT, AVERA MARSHALL PROVIDES NUMEROUS SERVICES WHICH DO NOT PRODUCE A PROFIT AN EXAMPLE OF THIS IS PSYCHIATRIC SERVICES PROVIDED BY THE FACILITY THIS IS A SUBSIDIZED HEALTH SERVICE AVERA MARSHALL ALSO OPERATES CURAQUICK TO PROVIDE AN ALTERNATIVE, LOW-COST CONVENIENCE CARE FOR WALK-IN PATIENTS AVERA MARSHALL IS VERY INVOLVED IN THE COMMUNITY AVERA MARSHALL'S LEADERSHIP TEAM IS ENCOURAGED TO PARTICIPATE IN CIVIC AND COMMUNITY ORGANIZATIONS AVERA MARSHALL STAFF ALSO VOLUNTEERS ON A MONTHLY BASIS TO ESTHER'S KITCHEN (WEEKLY FREE MEAL PROVIDED AT A LOCAL CHURCH) AND RUBY'S PANTRY (MONTHLY PROGRAM PROVIDING FRESH AND FROZEN FOODS FOR A SMALL PAYMENT) AVERA MARSHALL OFFERS CLASSES SUCH AS CHILDBIRTH AND VARIOUS OTHER SUPPORT GROUPS PLANET HEART COMMUNITY SCREENINGS ARE PROVIDED WITH REDUCED IMAGING FEES IN ADDITION TO FREE VEIN SCREENINGS AVERA MARSHALL PROVIDES EDUCATIONAL EXPERIENCES FOR SCHOOL-AGED CHILDREN, STUDENTS NEEDING WORK STUDY EXPERIENCE AND MED STUDENT INTERNSHIPS AVERA EMPLOYEES VOLUNTEER THROUGH PROGRAMS SUCH AS JUNIOR ACHIEVEMENT EDUCATIONAL CLASSES ARE HELD AT THE MARSHALL YMCA PHYSICALS FOR SPORTS ARE GIVEN TO STUDENTS WHO HAVE NO MEANS TO PAY BUT WISH TO PARTICIPATE IN ATHLETIC ACTIVITIES AT MARSHALL SCHOOLS BASIC SUPPLY ITEMS ARE DONATED TO SCHOOL NURSE PROVIDERS FOR TRIAGE CARE AVERA MARSHALL PARTICIPATES IN COMMUNITY HEALTH EVENTS SUCH AS COMMUNITY CONNECT WHICH PROVIDES OPTIONS ON ACCESSING HEALTH CARE RESOURCES AVERA MARSHALL HAS PROVIDED MONETARY SUPPORT FOR THE START-UP OF A BSN NURSING PROGRAM AT SOUTHWEST MINNESOTA STATE UNIVERSITY ON AN ANNUAL BASIS AVERA MARSHALL PROVIDES SCHOLARSHIPS FOR MEDICAL STUDENTS THE FOUNDATION, A SEPARATE EXEMPT ORGANIZATION, FOCUSED ON RAISING DOLLARS FOR COMMUNITY HEALTH NEEDS, SUCH AS ASSISTANCE WITH MAMMOGRAMS THROUGH THE TOUGH ENOUGH TO WEAR PINK CAMPAIGN, THE BABY HAT AND BLANKET FUND AND MORE AVERA MARSHALL ALSO OFFERS MANY OPPORTUNITIES FOR COMMUNITY MEMBERS TO VOLUNTEER
		PART VI, LINE 6 THE COMMUNITIES IN WHICH AVERA OPERATES ALL HAVE UNIQUE HEALTH AND COMMUNITY BENEFIT NEEDS AND IN KEEPING WITH THE CATHOLIC HEALTHCARE ASSOCIATION GUIDELINES EACH HOSPITAL STRIVES TO MEET ITS COMMUNITY'S IDENTIFIED NEEDS THE AVERA CENTRAL OFFICE ADVOCATES FOR ALL ON COMMUNITY BENEFIT RELATED MATTERS OF STATE, REGIONAL AND NATIONAL IMPORTANCE

OMB No 1545-0047

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

Open to Public Inspection

Employer identification number

41-0919153

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

[illegible]

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

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
(1) MEDICAL STUDENT SCHOLARSHIPS	8	48,000			
(2) STIPEND FOR SIM (STUDENT INTERNSHIP IN MEDICINE) STUDENTS	1	500			
(3) LTC EMPLOYEE SCHOLARSHIPS	14	25,941			

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 ORGANIZATION PROVIDES SCHOLARSHIPS TO MEDICAL STUDENTS, LONG-TERM CARE EMPLOYEES AND A STIPEND TO SIM (STUDENT INTERNSHIP IN MEDICINE) STUDENTS THE ORGANIZATION MONITORS THE USE OF THE SCHOLARSHIPS THROUGH A RECRUITER WHO MAINTAINS CONTACT WITH THE STUDENTS, AND MONITORS RECEIPT OF THE EMPLOYEE SCHOLARSHIP BY THE LEARNING INSTITUTION THE ORGANIZATION WAS ACTIVELY INVOLVED IN THE START-UP OF THE BSN PROGRAM AT SOUTHWEST MINNESOTA STATE AVERA MARSHALL'S VICE PRESIDENT PATIENT CARE SERVICES WAS ON THE STEERING COMMITTEE THAT COMMITTEE MET BI-WEEKLY DURING THE START-UP PHASE AND WILL CONTINUE TO MEET ANNUALLY TO REVIEW THE PROGRAMS SUCCESSES AND CHALLENGES GRANTS TO OTHER ORGANIZATIONS ARE MONITORED THROUGH EMPLOYEE INVOLVEMENT IN THE ORGANIZATIONS

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
AVERA MARSHALL

Employer identification number
41-0919153

Part I	Questions Regarding Compensation		Yes	No
1a	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><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>			
b	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	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the 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><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		No
c	Participate in, or receive payment from, an equity-based compensation arrangement? If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.	4c		No
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		No
b	Any related organization? If "Yes," to line 5a or 5b, describe in Part III.	5b		No
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		No
b	Any related organization? If "Yes," to line 6a or 6b, describe in Part III.	6b		No
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	7		No
8	Were any amounts reported in Form 990, Part VII, paid or 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.	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

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

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII
Note. The sum of columns (B)(i)-(iii) 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				
(1)ROGER PABST OD DIRECTOR/PHYSICIAN	(i) (ii)	202,628 0	0 0	1,911 0	3,673 0	7,676 0	215,888 0	0 0
(2)DONNA HARTFIEL MD DIRECTOR/PHYSICIAN	(i) (ii)	0 321,086	0 0	0 7,826	0 5,000	0 9,977	0 343,889	0 0
(3)MARY B MAERTENS PRESIDENT & CEO	(i) (ii)	0 258,411	0 0	0 55,462	0 30,475	0 19,811	0 364,159	0 0
(4)SHARON WILLIAMS SEC/TREAS & VP FINANCE	(i) (ii)	149,835 0	0 0	440 0	3,035 0	21,220 0	174,530 0	0 0
(5)EDWARD WOLSKE MD PHYSICIAN	(i) (ii)	446,781 0	0 0	433 0	5,000 0	28,373 0	480,587 0	0 0
(6)OMER QUREISHY MD PHYSICIAN	(i) (ii)	424,504 0	0 0	495 0	5,000 0	18,400 0	448,399 0	0 0
(7)CHRIS BUNTROCK MD PHYSICIAN	(i) (ii)	381,080 0	0 0	1,259 0	5,000 0	22,073 0	409,412 0	0 0
(8)KEVIN GILDNER MD PHYSICIAN	(i) (ii)	469,522 0	0 0	2,932 0	5,000 0	17,660 0	495,114 0	0 0
(9)CURTIS LOUWAGIE MD PHYSICIAN	(i) (ii)	499,738 0	0 0	519 0	5,000 0	15,440 0	520,697 0	0 0

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
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART I, LINE 3 THE PRESIDENT & CEO WAS COMPENSATED BY AVERA HEALTH. AVERA MARSHALL RELIED ON THE RELATED ORGANIZATION FOR DETERMINING THE COMPENSATION FOR THE PRESIDENT & CEO USING THE METHODS DESCRIBED IN PART I, LINE 3.

Software ID:
Software Version:
EIN: 41-0919153
Name: AVERA MARSHALL

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				
ROGER PABST OD	(i)	202,628	0	1,911	3,673	7,676	215,888	0
	(ii)	0	0	0	0	0	0	0
DONNA HARTFIEL MD	(i)	0	0	0	0	0	0	0
	(ii)	321,086	0	7,826	5,000	9,977	343,889	0
MARY B MAERTENS	(i)	0	0	0	0	0	0	0
	(ii)	258,411	0	55,462	30,475	19,811	364,159	0
SHARON WILLIAMS	(i)	149,835	0	440	3,035	21,220	174,530	0
	(ii)	0	0	0	0	0	0	0
EDWARD WOLSKE MD	(i)	446,781	0	433	5,000	28,373	480,587	0
	(ii)	0	0	0	0	0	0	0
OMER QUREISHY MD	(i)	424,504	0	495	5,000	18,400	448,399	0
	(ii)	0	0	0	0	0	0	0
CHRIS BUNTROCK MD	(i)	381,080	0	1,259	5,000	22,073	409,412	0
	(ii)	0	0	0	0	0	0	0
KEVIN GILDNER MD	(i)	469,522	0	2,932	5,000	17,660	495,114	0
	(ii)	0	0	0	0	0	0	0
CURTIS LOUWAGIE MD	(i)	499,738	0	519	5,000	15,440	520,697	0
	(ii)	0	0	0	0	0	0	0

Schedule L

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

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

OMB No 1545-0047

2012

Open to Public
Inspection

Name of the organization AVERA MARSHALL	Employer identification number 41-0919153
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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) MELISSA YOUNGER OD	EMPLOYEE AND FAMILY MEMBER OF A BOARD MEMBER	COMMUNITY NEEDS LOAN		X	10,000	417		No		No	Yes	
(2)				X				No		No		No
(3) DR KEVIN GILDNER	EMPLOYEE	COMMUNITY NEEDS LOAN		X	150,000	21,875		No		No	Yes	
(4)				X				No		No		No
(5) DR EDWARD WOLSKE	EMPLOYEE	COMMUNITY NEEDS LOAN		X	50,000	6,250		No		No	Yes	
Total			▶ \$		28,542							

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) MELISSA YOUNGER	FAMILY MEMBER OF BOARD MEMBER, RANDY SERREYN	96,559	COMPENSATION		No

Part V

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

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on

Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public

Inspection

Name of the organization AVERA MARSHALL	Employer identification number 41-0919153
--	--

Identifier	Return Reference	Explanation
CHANGES IN PROGRAM SERVICES	FORM 990, PART III, LINE 3	IN THE SPRING OF 2013, AVERA MORNINGSIDE HEIGHTS CARE CENTER DISCONTINUED PROVIDING A DESIGNATED MEMORY CARE UNIT THIS DECISION WAS MADE AS A RESULT OF MULTIPLE PRIVATE ENTITIES OPENING LOCATIONS WITHIN THE MARSHALL AREA SPECIALIZING IN MEMORY CARE SERVICES

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	THE EXECUTIVE COMMITTEE IS SUBJECT TO THE DIRECTION OF THE BOARD OF DIRECTORS. HOWEVER, IN THE CASE OF AN EMERGENCY, THE EXECUTIVE COMMITTEE MAY EXERCISE ALL THE POWERS OF THE BOARD PROVIDED THAT ANY ACTIONS TAKEN SHALL BE REPORTED TO THE BOARD AS QUICKLY AS POSSIBLE. THE CHAIR, VICE-CHAIR, AND PAST CHAIR WILL MAKE UP THE COMPOSITION OF THE EXECUTIVE COMMITTEE. THE PRESIDENT/CEO WILL SERVE AS A NON-VOTING, EX-OFFICIO MEMBER OF THE EXECUTIVE COMMITTEE.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	DONNA HARTFIEL, MD HAS A BUSINESS RELATIONSHIP WITH SR MARY J REICHEL T MARY MAERTENS HAS A BUSINESS RELATIONSHIP WITH SR MARY J REICHEL T ROGER PABST, OD HAS A BUSINESS RELATIONSHIP WITH MARY MAERTENS

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

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

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

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

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE CONFLICT OF INTEREST POLICY COVERS BOARD MEMBERS, OFFICERS AND KEY EMPLOYEES. AT EACH BOARD MEETING, A REQUEST IS MADE FOR ALL BOARD MEMBERS TO DISCLOSE ANY POTENTIAL CONFLICT OF INTEREST PERTAINING TO ANY ITEM LISTED ON THE AGENDA OR PERTAINING TO ANY POTENTIAL ITEM THAT COULD BE DISCUSSED DURING THE COURSE OF THE MEETING. THE DECLARATION OF CONFLICT OF INTEREST IS RECORDED IN THE MEETING MINUTES. THE BOARD MAKES A DETERMINATION OF WHETHER THERE IS A CONFLICT OF INTEREST AND IF SO, IMPLEMENTS THE PROCEDURE FOR EVALUATING THE ISSUE OR TRANSACTION INVOLVED. THE BOARD MEMBER OR OFFICER WITH THE CONFLICT MUST REFRAIN FROM VOTING. A STATEMENT OF CONFLICT OF INTEREST DISCLOSURE IS MADE ON AN ANNUAL BASIS BY OFFICERS AND DIRECTORS. THE INFORMATION IS MAINTAINED IN A DATABASE AND A REPORT IS PROVIDED TO THE BOARD.

Identifier	Return Reference	Explanation
		THE PRESIDENT & CEO WAS COMPENSATED BY AVERA HEALTH ANNUALLY THE COMPENSATION COMMITTEE OF AVERA HEALTH, WHICH IS COMPRISED OF SIX (6) SYSTEM MEMBERS APPOINTED BY THE RELIGIOUS ORDERS, MEETS WITH AN INDEPENDENT CONSULTANT REGARDING FAIR MARKET VALUE OF OFFICERS AND KEY EMPLOYEES THE COMPENSATION COMMITTEE APPROVES ALL SALARIES BASED ON COMPARABLE DATA AND DOCUMENTS THE BASIS FOR THEIR DECISION IN MEETING MINUTES THE COMPENSATION OF THE CFO IS DETERMINED BY AVERA MARSHALL HUMAN RESOURCES BASED ON A MARKET ANALYSIS THE COMPENSATION COMMITTEE APPROVES THE CFO'S COMPENSATION

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

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	EQUITY TRANSFER TO RELATED PARTIES -2,568,058 GRANT EXPENSE RECORDED IN FUND BALANCE OF FINANCIAL STATEMENTS 400,000

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	THE AUDIT COMMITTEE OF AVERA HEALTH, PARENT ORGANIZATION, SELECTS THE AUDITOR AND REVIEWS THE AUDITED FINANCIAL STATEMENTS FOR AVERA MARSHALL

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

Identifier	Return Reference	Explanation
	FORM 990, PART X, LINE 20	THE ISSUE PRICE INCLUDES THE FILING ORGANIZATION'S SHARE OF THE ENTIRE BOND ISSUE, WHICH WAS ISSUED TO AVERA HEALTH ON BEHALF OF THE AVERA OBLIGATED GROUP. THE AVERA OBLIGATED GROUP CONSISTS OF AVERA HEALTH, AVERA MCKENNAN, AVERA ST. LUKE'S, AVERA QUEEN OF PEACE, AVERA SACRED HEART, AVERA MARSHALL, AND AVERA ST. MARY'S. IN ACCORDANCE WITH IRS INSTRUCTIONS, INFORMATION RELATED TO THE TAX-EXEMPT BOND REPORTING IS BEING REPORTED ON AVERA HEALTH'S TAX RETURN.

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
AVERA MARSHALL

Employer identification number
41-0919153

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
See Additional Data Table							

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) Dispropportionate 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	
See Additional Data Table												

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
(1) ACCOUNTS MANAGEMENT INC 5132 S CLIFF AVE SUITE 101 SIOUX FALLS, SD 57108 46-0373021	COLLECTION AGENCY	SD	N/A	C					No
(2) AVERA HEALTH PLANS INC 3900 WEST AVERA DRIVE SUITE 101 SIOUX FALLS, SD 57108 46-0451539	HEALTH FINANCING AND HEALTH PLAN ADMIN	SD	N/A	C					No
(3) AVERA PROPERTY INSURANCE INC 610 W 23RD ST PO BOX 38 YANKTON, SD 57078 46-0463155	INSURANCE	SD	N/A	C					No
(4) VALLEY HEALTH SERVICES 501 SUMMIT STREET YANKTON, SD 57078 46-0357149	RENTAL REAL ESTATE	SD	N/A	C					No

Part V

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

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

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

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

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

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

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

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

1s

No

No

No

No

No

No

Yes

No

No

Yes

No

Yes

Yes

Yes

Yes

Yes

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

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) AVERA MARSHALL FOUNDATION	C	1,076,063	GENERAL LEDGER
(2) AVERA MARSHALL FOUNDATION	B	400,000	GENERAL LEDGER

Schedule R (Form 990) 2012

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

[illegible]



Consolidated Financial Statements
June 30, 2013 and 2012

Avera Marshall Regional Medical Center

Avera Marshall Regional Medical Center

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Independent Auditor's Report

The Board of Directors
Avera Marshall Regional Medical Center
Marshall, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Avera Marshall Regional Medical Center and subsidiary (Medical Center), which comprise the consolidated balance sheets as of June 30, 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

Auditor's 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 auditor's 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 Medical Center'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Avera Marshall Regional Medical Center and subsidiary as of June 30, 2013 and 2012, and the consolidated results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

A handwritten signature in black ink that reads "Eric Sautley LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
October 4, 2013

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,725,049	\$ 3,794,347
Receivables		
Patient and resident, net	7,301,959	6,197,928
Contributions	504,520	-
Other	762,479	628,932
Supplies	1,243,708	1,315,996
Prepaid expenses	1,078,777	1,012,886
Total current assets	13,616,492	12,950,089
Assets Limited as to Use		
By Board for capital improvements and debt redemption	22,581,187	24,718,684
Investments held by Foundation	10,353,248	10,367,909
Total assets limited as to use	32,934,435	35,086,593
Property and Equipment, Net	30,520,949	29,508,647
Other Assets		
Physician receivables	832,209	897,292
Contributions receivable, net	878,275	-
Intangible assets, net	212,145	247,711
Investment in affiliated organizations	315,073	265,899
Total other assets	2,237,702	1,410,902
Total assets	\$ 79,309,578	\$ 78,956,231

See Notes to Consolidated Financial Statements

Avera Marshall Regional Medical Center
Consolidated Balance Sheets
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 657,257	\$ 911,703
Accounts payable		
Trade	1,670,895	2,374,320
Estimated third-party payor settlements	714,519	740,804
Accrued expenses		
Salaries, wages and benefits	2,401,932	2,344,072
Other	227,175	84,335
Interest	35,443	36,275
Total current liabilities	<u>5,707,221</u>	<u>6,491,509</u>
Long-Term Debt, Less Current Maturities	<u>17,029,090</u>	<u>17,686,347</u>
Total liabilities	<u>22,736,311</u>	<u>24,177,856</u>
Net Assets		
Unrestricted	44,948,542	44,457,589
Temporarily restricted	11,211,464	9,919,448
Permanently restricted	413,261	401,338
Total net assets	<u>56,573,267</u>	<u>54,778,375</u>
Total liabilities and net assets	<u>\$ 79,309,578</u>	<u>\$ 78,956,231</u>

Avera Marshall Regional Medical Center
Consolidated Statements of Operations
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Revenues, Gains, and Other Support		
Net patient and resident service revenue	\$ 57,031,288	\$ 59,014,735
Provision for bad debts	<u>(1,042,505)</u>	<u>(670,990)</u>
Net patient and resident service revenue		
less provision for bad debts	55,988,783	58,343,745
Other revenue	<u>2,527,964</u>	<u>1,147,598</u>
Total unrestricted revenues, gains, and other support	<u>58,516,747</u>	<u>59,491,343</u>
Expenses		
Salaries	24,733,248	25,077,605
Employee benefits	5,995,173	5,539,188
Medical fees	2,647,904	2,574,385
Purchased services	1,809,327	1,432,495
Supplies	8,401,181	8,293,216
Repairs and maintenance	1,666,282	1,947,039
Other	7,252,954	6,332,877
Insurance	287,255	266,767
Utilities and communication	910,831	875,936
Interest	528,188	1,011,440
Depreciation and amortization	4,041,378	4,145,194
Provision for bad debts	<u>100,000</u>	<u>100,000</u>
Total expenses	<u>58,373,721</u>	<u>57,596,142</u>
Operating Income	<u>143,026</u>	<u>1,895,201</u>
Other Income (Loss)		
Investment income (loss)	1,666,730	(174,541)
Loss on extinguishment of long-term debt	-	(262,579)
Other income, net	183,665	211,608
Loss on disposal of property and equipment	<u>-</u>	<u>(376,175)</u>
Total other income (loss), net	<u>1,850,395</u>	<u>(601,687)</u>
Revenues in Excess of Expenses	1,993,421	1,293,514
Contributions and grants for capital	79,414	-
Net assets released from restrictions for capital purchases	986,176	-
Equity transfers to related parties	<u>(2,568,058)</u>	<u>(92,079)</u>
Increase in Unrestricted Net Assets	<u>\$ 490,953</u>	<u>\$ 1,201,435</u>

Avera Marshall Regional Medical Center
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 1,993,421	\$ 1,293,514
Contributions and grants for capital	79,414	-
Net assets released from restrictions for capital purchases	986,176	-
Equity transfers to related parties	<u>(2,568,058)</u>	<u>(92,079)</u>
Increase in unrestricted net assets	<u>490,953</u>	<u>1,201,435</u>
Temporarily Restricted Net Assets		
Contributions	2,180,988	81,085
Investment income, net of expenses	97,204	92,943
Net assets released from restrictions	<u>(986,176)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>1,292,016</u>	<u>174,028</u>
Permanently Restricted Net Assets		
Contributions	<u>11,923</u>	<u>35,379</u>
Increase in Net Assets	1,794,892	1,410,842
Net Assets, Beginning of Year	<u>54,778,375</u>	<u>53,367,533</u>
Net Assets, End of Year	<u><u>\$ 56,573,267</u></u>	<u><u>\$ 54,778,375</u></u>

Avera Marshall Regional Medical Center
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ 1,794.892	\$ 1,410.842
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for bad debts	(942.505)	770.990
Depreciation and amortization	4,068.714	4,157.800
Equity transfers	2,568.058	92.079
Loss on extinguishment of long-term debt	-	262.579
Loss on disposal of property and equipment	-	376.175
Contributions and investment earnings restricted by donors	(2,290.115)	(209.407)
Earnings from equity method investments	(65.174)	(104.168)
Net realized and unrealized gains and losses on investments	(1,665.941)	222.801
Changes in assets and liabilities		
Receivables	(295.073)	(744.858)
Supplies	72.288	(177.539)
Prepaid expenses	(65.891)	263.283
Other assets	65.083	560.580
Accounts payable	(778.729)	(1,252.715)
Accrued expenses	199.868	(915.828)
Net Cash from Operating Activities	<u>2,665.475</u>	<u>4,712.614</u>
Investing Activities		
Purchase of property and equipment	(4,996.431)	(7,289.826)
Distributions from equity method investments	16.000	74.000
Purchase of intangible assets	-	(16.000)
Proceeds from maturities of certificates of deposit	-	645.000
Proceeds from sale and maturities of assets limited as to use	4,699.531	4,076.080
Purchases of assets limited as to use	(881.432)	(2,526.455)
Net Cash used for Investing Activities	<u>(1,162.332)</u>	<u>(5,037.201)</u>
Financing Activities		
Proceeds from issuance of long-term debt	-	17,800.000
Repayment of long-term debt	(911.703)	(18,724.783)
Equity transfers	(2,568.058)	(92.079)
Change in pledges receivable	(1,382.795)	-
Contributions and investment earnings restricted by donors	2,290.115	209.407
Net Cash used for Financing Activities	<u>(2,572.441)</u>	<u>(807.455)</u>
Net Decrease in Cash and Cash Equivalents	(1,069.298)	(1,132.042)
Cash and Cash Equivalents, Beginning of Year	<u>3,794.347</u>	<u>4,926.389</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,725.049</u>	<u>\$ 3,794.347</u>

Avera Marshall Regional Medical Center
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 529,020</u>	<u>\$ 1,450,862</u>
Supplemental Disclosure of Noncash Financing and Investing Activities		
Property and equipment acquired under capital lease	<u>\$ -</u>	<u>\$ 100,000</u>
Accounts payable for property and equipment	<u>\$ 49,019</u>	<u>\$ 709,979</u>

Note 1 - Organization and Significant Accounting Policies

Organization

Avera Marshall Regional Medical Center (Medical Center) operates a 25-bed critical access hospital, a 76-licensed-bed skilled nursing facility, a 10-bed behavioral health unit, and an adult day-care center located in Marshall, Minnesota. The Medical Center also operates various clinics in Marshall, Minnesota and the surrounding region. The Medical Center is organized as a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Medical Center operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established for Avera Health, the sole member of the Medical Center and a sponsored ministry of the Benedictine and Presentation Sisters.

Principles of Consolidation

The consolidated financial statements of the Medical Center include the accounts and operations of its sponsored affiliate, Avera Marshall Foundation (Foundation). The Foundation is a Minnesota nonprofit organization formed to further develop the health care needs of the area.

All material inter-organizational transactions between the Foundation and the Medical Center have been eliminated.

Income Taxes

The Medical Center and Foundation are Minnesota nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Medical Center and Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Medical Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Medical Center files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income. State tax filings are also required in the state of Minnesota. Management has determined that the Foundation is not subject to unrelated business taxable income.

The Medical Center and Foundation believe they have appropriate support for any tax positions taken affecting their annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. The Medical Center and Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Medical Center's Federal Form 990T filings are no longer subject to federal and state tax examinations by tax authorities for years before 2010. Generally, 990 filings for the Medical Center and Foundation are also not subject to federal and state tax examinations before 2010.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident, and third-party payor obligations. Patient and resident receivables with a minimum balance of \$50, excluding amounts due from third party payors, with service dates that have aged greater than 90 days are assessed interest at a rate of 0.66 percent per month (8% annual rate). Due to the uncertainty of collecting private pay accounts, these interest charges are recognized as income when received. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center 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 Medical Center 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 Medical Center 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 Medical Center's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed between the years ended June 30, 2013 and 2012. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. The Medical Center changed its financial assistance policy during the year ended June 30, 2012 related to uninsured patients. The change did not have a material impact on financial statement amounts or disclosures. No changes were made to the charity care and uninsured discount policies during 2013. Patient and resident receivables are shown net of estimated uncollectibles, charity, and other allowances of approximately \$5,729,000 and \$3,981,000 for the years ended June 30, 2013 and 2012, respectively.

Supplies

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

Investments and Investment Income

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

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

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and debt redemption over which the Board retains control and may, at its discretion, subsequently use for other purposes, and assets held by the Foundation and restricted by donors.

Fair Value Measurements

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

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

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

Property and Equipment

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. The estimated useful lives of property and equipment are as follows:

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

Repairs and maintenance costs are charged to operating expense while betterments are capitalized as additions to the related assets.

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

Impairment of Long-lived Assets

Long-lived assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and their eventual disposition are less than their carrying amount. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Medical Center's strategy, assumptions and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. No impairment charges of long-lived assets were necessary for the years ended June 30, 2013 and 2012.

Physician Loans

The Medical Center created a community needs loan program to recruit physicians to provide services to the Marshall community. The Medical Center enters into employment agreements with physicians, whereby the Medical Center provides a loan to the physician, and the physician agrees to establish and maintain a practice in the Marshall community for a minimum number of years. The Medical Center will forgive the loan over the period that the practice is maintained. The Medical Center amortizes each loan on a straight-line basis over the minimum number of years the practice must be maintained.

At June 30, 2013 and 2012, net community need loans due to the Medical Center totaled approximately \$1,400,000 and \$1,443,000, respectively. Community need loans have terms ranging from two to five years, with annual interest rates at prime plus 2%, and are included in other receivables for the current portion and long-term receivables for the long term portion within the consolidated balance sheets.

Intangible Assets

Intangible assets consist of medical records purchased as part of the acquisition of clinics and are being amortized over the estimated useful life of 10 years using the straight-line method. These intangible assets are included in other assets on the consolidated balance sheets. Accumulated amortization for intangible assets was \$127,510 and \$91,944 as of June 30, 2013 and 2012.

Investments in Affiliated Organizations

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

Net Patient and Resident Service Revenue

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

The Medical Center recognizes patient and resident service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Medical Center 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 Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2013 and 2012, from these major payor sources, is as follows

	<u>2013</u>	<u>2012</u>
Net patient and resident service revenue		
Third-party payors	\$ 53,280,399	\$ 55,865,474
Self-pay	<u>3,750,889</u>	<u>3,149,261</u>
	<u>\$ 57,031,288</u>	<u>\$ 59,014,735</u>

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient and resident service revenue. The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amount of charges foregone, based on established rates, was approximately \$337,000 and \$550,000 for the years ended June 30, 2013 and 2012, respectively. The direct and indirect costs related to these foregone charges were approximately \$206,000 and \$335,000 for the years ended June 30, 2013 and 2012, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Revenues in Excess of Expenses

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

Contributions Receivable

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises to give, less an allowance for estimated uncollectible amounts, are recorded as contributions receivable and temporarily restricted support in the year the promise is made, unless the donor explicitly states that the gift is to support current activities. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Medical Center has elected that measure in accordance with Accounting Standards Codification (ASC) 825-10. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

Donor-Restricted Gifts

Donor restricted gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations.

Advertising Costs

The Medical Center expenses advertising costs as they are incurred.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. These reclassifications did not affect the consolidated financial position or the consolidated change in net assets as previously reported.

Subsequent Events

The Medical Center has evaluated subsequent events through October 4, 2013, the date which the consolidated financial statements were available to be issued.

Note 2 - Loan Guarantees

On May 1, 2012, the Medical Center became a member of the Avera Health Obligated Group (Obligated Group) and became party to a Master Trust Indenture that results in the Medical Center being jointly and severally obligated for various debt issues of the Obligated Group. The Obligated Group is comprised of Avera Health and six of its sponsored organizations including Avera McKennan, Avera St. Luke's, Sacred Heart Health Services, Avera Queen of Peace, Avera Marshall, and Avera St. Mary's (as of January 1, 2013). The Medical Center and other Obligated Group members have recorded their allocable share of the par amount of these debt transactions based on their respective underlying proceeds from the various debt issuances. The Master Trust Indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the debt is outstanding.

Avera Marshall Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The Medical Center is jointly and severally obligated for various bond issues as of June 30, 2013 and 2012, under a Master Trust Indenture as follows

	<u>2013</u>	<u>2012</u>
South Dakota Health and Educational Facilities Authority Series 2012A Revenue Bonds, fixed interest rates ranging from 3.00% to 5.00%, due in varying semi-annual interest payments and annual principal payments through July 1, 2042, principal payments begin July 1, 2013	\$ 71,205,000	\$ 71,205,000
South Dakota Health and Educational Facilities Authority Series 2012B Revenue Bonds, variable interest rates 1.03% to 1.24% during the fiscal year for a weighted average interest rate of 1.20%, varying principal payments due annually through initial tender date of May 1, 2019, final maturity of July 1, 2038	130,690,000	131,265,000
South Dakota Health and Educational Facilities Authority Revenue Bonds Payable, Series 2008B, 5.25% to 5.50%, interest only until July 1, 2033, then varying annual installments to July 1, 2038	50,320,000	50,320,000
South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Revenue Refunding Bonds, 0.98% to 1.02% during the fiscal year for a weighted average interest rate of 0.99%, interest only until July 1, 2014, then varying annual installments through initial tender date of May 1, 2017 with a stated maturity of July 1, 2033	61,495,000	61,495,000
Series 2012C term note obligation payable to a financial institution, fixed interest rate of 2.45%, due in monthly payments of \$70,201 with final balloon payment of \$15,672,840 due May 1, 2017	17,361,697	17,767,351
Series 2012D term note obligation payable to a financial institution, fixed interest rate of 2.95%, due in monthly payments of \$96,605, with remaining balance due on final maturity of October 1, 2022	9,429,616	-
Series 2012E term note obligation payable to a financial institution, fixed interest rate of 2.70%, due in monthly payments of \$46,405, with final balloon payment due January 1, 2020	9,929,626	-
	<u>\$ 350,430,939</u>	<u>\$ 332,052,351</u>

Note 3 - Net Patient and Resident Service Revenue

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

Medicare The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most inpatient and outpatient services on a cost-based methodology with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2011.

Medicaid Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2006.

Blue Cross Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are paid at outpatient payment fee schedules or at charges less than a prospectively determined discount, which is not subject to retroactive settlement.

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

Revenue from Medicare and Medicaid programs account for approximately 30% and 15% of the Organization's net patient and resident service revenue for the year ended June 30, 2013 and 32% and 15% for the year ended June 30, 2012. Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue for the years ended June 30, 2013 and 2012, increased approximately \$450,000 and \$590,000, respectively, due to differences in estimated and actual cost report settlements and due to the removal of allowances previously estimated that are no longer necessary as a result of final and tentative settlements and years that are no longer likely subject to audits, reviews, and investigations.

Avera Marshall Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

A summary of patient and resident service revenue and contractual allowances for the years ended June 30, 2013 and 2012, is as follows

	<u>2013</u>	<u>2012</u>
Total patient and resident service revenue	\$ 90,922,515	\$ 91,967,562
Contractual adjustments		
Medicare	16,992,013	17,503,555
Medicaid	7,310,257	5,771,444
Blue Cross	6,035,734	5,865,452
Other	<u>3,553,223</u>	<u>3,812,376</u>
Total contractual adjustments	<u>33,891,227</u>	<u>32,952,827</u>
Net patient and resident service revenue	57,031,288	59,014,735
Provision for bad debts	<u>(1,042,505)</u>	<u>(670,990)</u>
Net patient and resident service revenue less provision for bad debts	<u>\$ 55,988,783</u>	<u>\$ 58,343,745</u>

Note 4 - Contributions Receivable

Contributions receivable as of June 30, 2013 represent unconditional promises to give restricted for use to fund the Cancer Center. Maturities are as follows

	<u>2013</u>
Receivable in less than one year	\$ 504,520
Receivable in one to five years	1,033,615
Receivable in periods beyond five years	<u>2,000</u>
Total contributions receivable	1,540,135
Discount to net present value	<u>(157,340)</u>
Net contributions receivable	<u>\$ 1,382,795</u>

Contributions receivable are reflected at fair value based on estimated discounted future cash flows

Note 5 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2013 and 2012, is as follows

	<u>2013</u>	<u>2012</u>
By Board for capital improvements		
Certificates of deposit	\$ -	\$ 250,000
Asset backed securities	-	55,344
Accrued interest receivable	-	1,181
Pooled Investment Fund*	<u>22,581,187</u>	<u>24,412,159</u>
	<u>\$ 22,581,187</u>	<u>\$ 24,718,684</u>
Held by Foundation		
Cash and cash equivalents	\$ 4,965,663	\$ -
Equity and stocks	546,671	518,560
U S treasury bills	284,951	1,341,533
U S government agency securities	781,057	3,411,958
Municipal bonds	857,779	1,847,299
Corporate bonds	857,659	1,999,637
Pooled Investment Fund*	<u>2,059,468</u>	<u>1,248,922</u>
	<u>\$ 10,353,248</u>	<u>\$ 10,367,909</u>

Pooled Investment Fund *

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

Avera Marshall Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Avera Pooled Investment Fund assets consisted of the following types of investments at June 30, 2013 and 2012

	2013	2012
Equity mutual funds	28.7%	20.8%
Fixed income mutual funds	17.2%	15.9%
Non-publicly traded alternative investments		
Hedge fund	11.8%	11.3%
Real asset	2.5%	2.6%
Publicly traded equity securities	10.7%	12.0%
Corporate bonds	6.1%	5.7%
Foreign equities	5.7%	5.9%
Cash and short-term investments	5.6%	11.9%
Balanced mutual funds	4.9%	2.8%
U S government issues	4.4%	8.7%
Other fixed income	2.4%	2.4%
	<u>100.0%</u>	<u>100.0%</u>

Investment Income

Investment income and gains and losses on assets limited as to use, cash equivalents, and temporary investments consist of the following for the years ended June 30, 2013 and 2012

	2013	2012
Other income		
Interest income	\$ 789	\$ 48,260
Net realized gains on investments	883,271	717,397
Change in unrealized gains and losses on investments	782,670	(940,198)
	<u>\$ 1,666,730</u>	<u>\$ (174,541)</u>
Changes in temporarily restricted net assets		
Investment income, net of expenses		
Net realized gains on investments	\$ 128,140	\$ 6,760
Change in unrealized gains and losses on investments	(30,936)	86,183
	<u>\$ 97,204</u>	<u>\$ 92,943</u>

Note 6 - Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and 2012, respectively, are as follows

	2013	2012
Contributions receivable	\$ 1,382,795	\$ -
Assets limited as to use		
Asset backed securities	-	55,344
Equity and stocks	546,671	518,560
U S Treasury bills	284,951	1,341,533
U S government agency securities	781,057	3,411,958
Municipal bonds	857,779	1,847,299
Corporate bonds	857,659	1,999,637
Total assets	<u>\$ 4,710,912</u>	<u>\$ 9,174,331</u>

The related fair value of these assets and liabilities are determined as follows

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2013</u>			
Contributions receivable	\$ -	\$ -	\$ 1,382,795
Equity and stocks	546,671	-	-
U S Treasury bills	284,951	-	-
U S government agency securities	-	781,057	-
Corporate bonds	-	857,779	-
Taxable municipal bonds	-	857,659	-
Total assets	<u>\$ 831,622</u>	<u>\$ 2,496,495</u>	<u>\$ 1,382,795</u>
<u>June 30, 2012</u>			
Asset backed securities	\$ -	\$ 55,344	\$ -
Equity and stocks	518,560	-	-
U S Treasury bills	1,341,533	-	-
U S government agency securities	-	3,411,958	-
Corporate bonds	-	1,847,299	-
Taxable municipal bonds	-	1,999,637	-
Total assets	<u>\$ 1,860,093</u>	<u>\$ 7,314,238</u>	<u>\$ -</u>

The fair value for Level 1 assets are determined by reference to quoted market prices. The fair value of level 2 assets is based on quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active. The fair value of level 3 assets is estimated based on expected future cash flows.

Avera Marshall Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The following table presents the reconciliation of activity for assets measured at fair value based upon significant unobservable (non-market) information

	<u>2013</u>
Contributions receivable	
Balance, beginning of year	\$ -
New promises received at fair value	1,757,096
Cash received	<u>(374,301)</u>
Balance, end of year	<u><u>\$ 1,382,795</u></u>

Note 7 - Investment in Affiliated Organizations

The Medical Center is a 50 percent owner in Avera Home Medical Equipment of Marshall, LLC and shares 50 percent of the profits and losses. This entity was capitalized by assets and cash contributed by the Medical Center and Avera Home Medical Equipment LLC, an organization sponsored by Avera Health. Summary unaudited balance sheet information as of June 30, 2013 and 2012, for the equity investee is as follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 37,660	\$ 92,155
Accounts receivable, net	367,717	383,002
Other current assets	92,281	94,367
Land, building and equipment, net	113,683	65,683
Other long-term assets	<u>74,297</u>	<u>-</u>
Total assets	<u><u>\$ 685,638</u></u>	<u><u>\$ 635,207</u></u>
Current liabilities	\$ 55,494	\$ 103,409
Net assets	<u>630,144</u>	<u>531,798</u>
Total liabilities and net assets	<u><u>\$ 685,638</u></u>	<u><u>\$ 635,207</u></u>

Avera Marshall Regional Medical Center
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Summary income statement information for the years ended June 30, 2013 and 2012, for the equity investee is as follows

	<u>2013</u>	<u>2012</u>
Total revenues	\$ 716,075	\$ 865,218
Total expenses	<u>585,728</u>	<u>656,881</u>
Revenues in excess of expenses	<u>\$ 130,347</u>	<u>\$ 208,337</u>

Note 8 - Leases

The Medical Center leases certain equipment under long-term lease agreements and other equipment and property is leased with terms of less than one year or cancelable upon written notice. Total lease expense under operating leases was \$167,981 and \$132,097 for the years ended June 30, 2013 and 2012. The capitalized leased assets consist of

	<u>2013</u>	<u>2012</u>
Equipment	\$ 1,610,068	\$ 2,920,068
Less accumulated amortization (included with depreciation and amortization)	<u>(1,540,069)</u>	<u>(2,543,014)</u>
	<u>\$ 69,999</u>	<u>\$ 377,054</u>

Minimum future lease payments for the capital leases are as follows

<u>Years Ending June 30,</u>	
2014	\$ 33,336
2015	<u>13,882</u>
	47,218
Less interest	<u>-</u>
Present value of minimum lease payments - Note 10	<u>\$ 47,218</u>

Note 9 - Property and Equipment

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 507,112	\$ -	\$ 507,112	\$ -
Land improvements	1,138,412	689,631	812,115	651,987
Buildings	44,323,365	22,981,432	36,641,331	21,117,583
Equipment	25,614,355	18,547,851	23,966,676	16,421,696
Construction in progress	1,156,619	-	5,772,679	-
	<u>\$ 72,739,863</u>	<u>\$ 42,218,914</u>	<u>\$ 67,699,913</u>	<u>\$ 38,191,266</u>
Net property and equipment		<u>\$ 30,520,949</u>		<u>\$ 29,508,647</u>

Construction in progress at June 30, 2013 primarily represents costs in relation to the construction of a Cancer Center. Outstanding contractual commitments for the project are approximately \$1.7 million at June 30, 2013.

Note 10 - Long-Term Debt

Long-term debt at June 30, 2013 and 2012, is as follows:

	2013	2012
Related party payables to Avera Health with interest rates blended based on the Organization's pro-rata share of Obligated Group debt, as disclosed in Note 2		
Series 2012C term loan obligation of the Obligated Group	\$ 17,361,697	\$ 17,767,352
0.00% note payable, unsecured, payable in equal monthly payments through October 2014; the note payable is being used by the Medical Center to finance the purchase of an electronic medical records system	277,432	485,506
	<u>17,639,129</u>	<u>18,252,858</u>
Capital lease obligation - Note 8	47,218	345,192
	<u>17,686,347</u>	<u>18,598,050</u>
Less current maturities	(657,257)	(911,703)
	<u>\$ 17,029,090</u>	<u>\$ 17,686,347</u>

Long term debt maturities as follows

Years Ending June 30.

2014	\$ 657,257
2015	509,535
2016	435,894
2017	<u>16,083,661</u>
	<u><u>\$ 17,686,347</u></u>

On May 1, 2012, the Medical Center refinanced its Series 2010A bonds with proceeds from financing issued by the Obligated Group. The Series 2012C obligation is a term note with a financial institution dated May 1, 2012 that was used to refinance the Medical Center's Series 2010A bonds. The Series 2012C obligation had an original principal amount of \$17,800,000 and bears interest at 2.45% through the maturity date of May 1, 2017. Monthly principal and interest payments of \$70,201 are due through the maturity date with a balloon payment of \$15,672,840 due at maturity. Interest rate terms for the note are subject to change based on changes in the creditworthiness of the Obligated Group.

Note 11 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Oncology program	\$ 9,434,120	\$ 7,501,171
Board-designated endowment for healthcare services	1,739,995	1,661,263
Various health care services	<u>184,619</u>	<u>757,015</u>
	<u><u>\$ 11,211,464</u></u>	<u><u>\$ 9,919,448</u></u>

The funds held under the Oncology program and board designated endowment for healthcare services are contractually committed to be overseen by a special committee of the Foundation that was established as part of the Membership Transfer Agreement for a period of 10 years, expiring November 2, 2019.

Permanently restricted net assets at June 30, 2013 and 2012, are restricted to:

	<u>2013</u>	<u>2012</u>
Investments to be held in perpetuity, the income from which is expendable to support the Medical Center and its programs	<u>\$ 413,261</u>	<u>\$ 401,338</u>

In 2013 and 2012, net assets of \$986,176 and \$-0- were released from donor restrictions by incurring expenditures satisfying the restricted purposes. These amounts would be included in net assets released from restrictions in the accompanying consolidated financial statements.

Note 12 - Endowments

The Medical Center's endowments consist of two donor-restricted funds held at the Avera Health Foundation and a board designated fund held at a local financial institution. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board-designated endowment funds are classified as temporarily restricted net assets as the original funds have been assigned to a special committee for future grant-making under a contractual arrangement. All donor-restricted endowment funds of the Medical Center are held at the Avera Health Foundation. Below is a summary of policies that have been implemented by the Foundation for endowment funds.

Interpretation of Relevant Law

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

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

Changes in endowment net assets for the years ended June 30, 2013 and 2012, are as follows

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2011	\$ -	\$ 1,728,635	\$ 365,959	\$ 2,094,594
Investment return, net of expenses	-	12,823	-	12,823
Contributions	-	-	35,379	35,379
Endowment net assets, June 30, 2012	-	1,741,458	401,338	2,142,796
Investment return, net of expenses	-	111,960	-	111,960
Contributions	-	-	11,923	11,923
Endowment net assets, June 30, 2013	<u>\$ -</u>	<u>\$ 1,853,418</u>	<u>\$ 413,261</u>	<u>\$ 2,266,679</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Medical Center to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies that were deemed material as of June 30, 2013 and 2012.

Return Objectives and Risk Parameters

The Medical Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specified period.

Under these policies, the endowment assets will be invested in a manner that is intended to produce results that meet the price and yield investment returns established by the Avera Pooled Investment Committee while assuming a moderate level of investment risk. The Medical Center expects its endowment funds, over time, to provide an average rate of return of approximately 6%-8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Medical Center as well as its affiliate, the Avera Health Foundation, rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Medical Center targets risk diversification through holdings in both fixed income and equity securities. The Avera Health Foundation targets a diversified asset allocation including equity securities, fixed-income securities, hedge funds, and private equity to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Note 13 - Contingencies

Malpractice Insurance

The Medical Center 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 and \$3 million annual aggregate. The Medical Center is also insured under an excess umbrella liability policy with a limit of \$10 million per claim and \$10 million annual aggregate and a limit of \$35 million shared with Avera Health. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Regulatory and Compliance Matters

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, government healthcare program participation, government reimbursement, antitrust, anti-kickback and anti-referral by physicians, false claims prohibitions, and in the case of tax-exempt organizations, the requirements of tax exemption. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations, quality of care provided to patients, and handling of controlled substances. In addition, during the course of business, Avera Marshall Regional Medical Center becomes involved in litigation. Management assesses the probable outcome of unresolved litigation and investigations and determines the appropriate accounting recognition or disclosure based on their assessment. As of June 30, 2012 and 2011, management feels there are no asserted or unasserted claims that would have a material impact on the consolidated financial position, results of operations, or cash flows of the Medical Center.

Note 14 - Employee Retirement Plans

Defined Benefit Pension Plan – Cash Balance

Employees of Avera Marshall are eligible to participate in the Cash Balance Retirement Plan for Employees of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen South Dakota (“Defined Benefit Pension Plan – Cash Balance”). The Plan is not subject to regulations requiring the filing of IRS Form 5500. The Plan’s fiscal year is from January 1 to December 31.

Under the Cash Balance Plan, employees become active members on the first day of the month coinciding with or next following the date they meet the eligibility requirements of age 21 and one year of service. Pension benefits are based on a percentage of the employee’s eligible earnings and are payable at retirement under several annuitized payment options. During the years ended June 30, 2013 and 2012, Avera Marshall had expenses of \$903,815, and \$666,323, respectively, to the Cash Balance Plan.

The latest available financial information available for the Plan as of June 30, 2013, is as follows:

<u>Pension Plan</u>	<u>EIN</u>	<u>December 31, 2012 Plan Assets</u>	<u>December 31, 2012 Actuarial Present Value of Accumulated Plan Benefits</u>	<u>Year Ended December 31, 2012 Total Plan Contributions</u>
Defined Benefit Pension Plan – Cash Balance	46-0253283	<u>\$ 50,667,291</u>	<u>\$ 50,063,531</u>	<u>\$ 6,469,595</u>

The contributions made by Avera Marshall Regional Medical Center represented more than 5% of the total contributions made to the Plan during the plan year ended December 31, 2012. As of December 31, 2012, the Plan was more than 100% funded. To the extent the Plan may become underfunded, future contributions to the Plan may increase.

Defined Contribution Pension Plan

Eligible employees of Avera Marshall also participate in a defined contribution pension plan (“403(b) Plan”). Under the 403(b) Plan, participant contributions are matched up to 2% of eligible employee compensation. Avera Marshall recognized total 403(b) Plan contribution costs of \$342,730 and \$330,401 for the years ended June 30, 2013 and 2012, respectively.

Note 15 - Related Party Transactions

Avera Health and its sponsors, the Benedictine and Presentation Sisters, operate various health care related organizations in addition to the Medical Center. Material transactions between the Medical Center and these affiliated organizations for the years ended June 30, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Payments to related organizations recorded by the Medical Center		
Management and other services	\$ 2,674,662	\$ 2,218,937
Purchased services	2,967,161	2,552,423
Employee benefit programs	1,416,589	1,153,584
Lease	208,074	208,074
Other	192,871	-
Supplies	65,721	70,582
Fixed asset additions	156,180	189,014
Payments from related organizations recorded by the Medical Center		
Rent revenue and other miscellaneous revenues	57,937	104,168
Consolidated balance sheet items		
Receivables	43,615	23,202
Payables	467,503	408,693
Equity in investment in HME LLC	315,073	265,899
Long-term debt	17,223,282	18,252,858

Note 16 - Concentrations of Credit Risk

Accounts Receivable under Third-Party Payor Contracts

The Medical Center grants credit without collateral to its patients, most of who are insured under payment arrangements with third-party payors, including Medicare, Medicaid, and commercial insurance carriers. The following table summarizes the percentage of net realizable accounts receivable from all payors at June 30:

	<u>2013</u>	<u>2012</u>
Medicare	34%	28%
Medicaid	17%	10%
Commercial insurance	18%	33%
Self pay	15%	19%
Other	16%	10%
	<u>100%</u>	<u>100%</u>

FDIC Insurance

The Medical Center's cash balances are maintained in various bank deposit accounts. At times during the years ended June 30, 2013 and 2012, the balances of these deposits were in excess of federally-insured limits. The Medical Center's practice is to ensure collateralization for deposits made with financial institutions.

Collective Bargaining Agreements

The Medical Center is subject to two collective bargaining agreements. The Minnesota Nursing Association (MNA) contract is effective through September 30, 2015. MNA is approximately 17 percent of the Medical Center employees. The American Federation of State, County, and Municipal Employees (AFSCME) contract also expires on September 30, 2014. AFSCME is approximately 4 percent of the Medical Center employees.

Note 17 - Functional Expenses

The Medical Center provides health care services to residents within its geographic location. Expenses related to providing these services by functional class are as follows:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 47,768,510	\$ 46,835,889
General and administrative	10,451,575	10,543,288
Fundraising	<u>153,636</u>	<u>216,965</u>
	<u><u>\$ 58,373,721</u></u>	<u><u>\$ 57,596,142</u></u>



Supplementary Information
June 30, 2013 and 2012

Avera Marshall Regional Medical Center



Independent Auditor's Report on Supplementary Information

The Board of Directors
Avera Marshall Regional Medical Center
Marshall, Minnesota

We have audited the consolidated financial statements of Avera Marshall Regional Medical Center as of and for the years ended June 30, 2013 and 2012, and our report thereon dated October 4, 2013, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on page 32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Eide Bailly LLP

Sioux Falls, South Dakota
October 4, 2013

Avera Marshall Regional Medical Center
Statistical and Financial Highlights – Unaudited
Years Ended June 30, 2013 and 2012

	2013	2012
Patient Days (1)		
Medicare	1,704	1,918
Non-Medicare	2,164	2,077
Total	<u>3,868</u>	<u>3,995</u>
Newborn Patient Days	<u>991</u>	<u>874</u>
Swing-Bed Days	<u>255</u>	<u>499</u>
Discharges - Hospital		
Medicare	680	648
Non-Medicare	1,451	1,332
Total	<u>2,131</u>	<u>1,980</u>
Average Length of Stay	<u>2.4</u>	<u>2.7</u>
Behavioral-Health Bed Days	<u>1,808</u>	<u>2,813</u>
Discharges - Behavioral Health		
Medicare	85	99
Non-Medicare	199	283
Total	<u>284</u>	<u>382</u>
Average Length of Stay	<u>6.4</u>	<u>7.4</u>
Nursing Home Days	<u>27,079</u>	<u>27,449</u>
Most Frequent Year-End Routine Service Rates		
Basic room charge	\$ 1,475.00	\$ 1,402.50
Nursery	1,092.50	1,015.50
Collection Statistics		
Number of days gross charges outstanding	52	39
Uncollectible accounts (2)	\$ 1,495,668	\$ 1,370,838
Percentage of uncollectible accounts to total charges	1.6%	1.5%
Financial Statistics		
Percentage of operating income to total unrestricted revenues, gains, and other support	0.2%	3.2%
Percentage of revenues in excess of expenses to total unrestricted revenues, gains, and other support	3.4%	2.2%

(1) Excludes newborn and swing-bed

(2) Includes collection fees, provision for bad debts and charity allowances