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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
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
AVERA ST LUKE'S

Doing Business As

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

City or town, state or country, and ZIP + 4
ABERDEEN, SD 57401

D Employer identification number
46-0224598

E Telephone number
(605) 622-5230

G Gross receipts $ 166,039,770

F Name and address of principal officer
TODD FORKEL
305 SOUTH STATE STREET
ABERDEEN, SD 57401

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW AVERASTLUKES ORG

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

L Year of formation 1901

M State of legal domicile SD

Part I Summary

1 Briefly describe the organization's mission or most significant activities
PROMOTION OF HEALTH

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

3	Number of voting members of the governing body (Part VI, line 1a)	3	18
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	1,740
6	Total number of volunteers (estimate if necessary)	6	183
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	537,643
b	Net unrelated business taxable income from Form 990-T, line 34	7b	41,922

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	283,017	2,675,222
9	Program service revenue (Part VIII, line 2g)	165,851,061	160,034,704
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,114,854	2,450,235
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-212,266	-400,665
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	168,036,666	164,759,496
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	546,465	642,397
14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	102,501,163	101,208,531
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶210,255		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	61,481,855	69,388,665
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	164,529,483	171,239,593
19	Revenue less expenses Subtract line 18 from line 12	3,507,183	-6,480,097

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	194,638,569	183,140,994
21	Total liabilities (Part X, line 26)	62,477,474	58,463,243
22	Net assets or fund balances Subtract line 21 from line 20	132,161,095	124,677,751

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

GEOFF DURST SEC/TREAS & VP OF FINANCE
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
KIM HUNWARDSEN CPA		2014-05-13		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 $ 145,455,601 including grants of $ 642,397) (Revenue $ 160,034,704)

AVERA ST LUKE'S MISSION IS TO PROVIDE ACUTE CARE AND LONG-TERM HEALTHCARE SERVICES INCLUDING SKILLED NURSING, CONGREGATE LIVING AND ASSISTED LIVING (MEDICAID CERTIFIED), OF WHICH THERE WERE 19,087 ACUTE PATIENT DAYS, 1,354 NURSERY PATIENT DAYS, 47,574 NURSING HOME RESIDENT DAYS, 128,593 CLINIC VISITS AND 204,071 OUTPATIENT VISITS AVERA ST LUKE'S PROVIDES HEALTH CARE SERVICES TO PATIENTS WHO MEET CERTAIN CRITERIA UNDER ITS CHARITY CARE POLICY WITHOUT CHARGE OR AT AMOUNTS LESS THAN ESTABLISHED RATES SINCE THE ORGANIZATION DOES NOT PURSUE COLLECTION OF THESE AMOUNTS, THEY ARE NOT REPORTED AS PATIENT SERVICE REVENUE THE AMOUNT OF CHARGES FOREGONE FOR SERVICES PROVIDED UNDER THE ORGANIZATION'S CHARITY CARE POLICY WAS APPROXIMATELY $4,520,000 FOR THE YEAR ENDED JUNE 30, 2013 THE ESTIMATED COST OF PROVIDING THESE SERVICES WAS $1,801,016 FOR THE YEAR ENDED JUNE 30, 2013, CALCULATED BY MULTIPLYING THE RATIO OF COST TO GROSS CHARGES FOR THE ORGANIZATION BY THE GROSS UNCOMPENSATED CHARGES ASSOCIATED WITH PROVIDING CHARITY CARE TO ITS PATIENTS AVERA ST LUKE'S ALSO PROVIDES COMMUNITY BENEFIT HEALTH ACTIVITIES AT LESS THAN OR AT NO COST TO SUPPORT THOSE IN THE AREA SERVED THESE ACTIVITIES INCLUDE DONATIONS/GRANTS/EDUCATIONAL SCHOLARSHIPS, COMMUNITY EDUCATION PROGRAMS, SPECIAL PROGRAMS FOR THE ELDERLY, HANDICAPPED, AND MEDICALLY UNDERSERVED, SUPPORT FOR RURAL CLINICS, NURSING STAFF FOR HEALTH CENTERS SERVING MINORITY POPULATIONS, AND A VARIETY OF BROAD COMMUNITY SUPPORT ACTIVITIES DURING THE YEAR ENDED JUNE 30, 2013, SPECIFIC ACTIVITIES INCLUDED MEALS DELIVERED TO RESIDENTIAL HOMES, SENIOR RESOURCE PROGRAMS FOR BILLING ASSISTANCE, MEETING FACILITIES, PROGRAMS FOR PATIENTS AND FAMILIES SUFFERING FROM CANCER, DIABETES, BREATHING DISORDERS, MULTIPLE SCLEROSIS, AND OTHERS, ASSISTANCE TO HEALTH EDUCATORS, EMERGENCY HEALTHCARE PROVIDERS, WELLNESS PROGRAMS, AND HOUSING FAMILIES OF HOSPITALIZED PATIENTS AS A MEMBER OF THE AVERA HEALTH SYSTEM, AVERA ST LUKE'S UPHOLDS THE VISION OF THE PRESENTATION AND BENEDICTINE SISTERS TO WORK THROUGH COLLABORATION TO PROVIDE A QUALITY, EFFECTIVE HEALTH MINISTRY AND TO IMPROVE THE HEALTH CARE OF INDIVIDUALS AND OUR COMMUNITIES THROUGH A REGIONALLY INTEGRATED NETWORK OF PERSONS AND INSTITUTIONS AVERA ST LUKE'S ENGAGES IN ACTIVITIES (INCLUDING A COMMUNITY HEALTH NEEDS ASSESSMENT) DESIGNED TO IMPROVE THE HEALTH OF INDIVIDUALS AND COMMUNITIES IN RESPONSE TO A CALLING TO HEAL THE SICK, THE ELDERLY, AND THE OPPRESSED

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 145,455,601

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	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, 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? *If "Yes," complete Schedule I, Parts I and II*	**21**	Yes	
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	**22**	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**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)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 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 . .	1a	154		
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1,740		
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** 18		
	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** 12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	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**	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	**16a**	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 ▶

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request ☐ 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

▶GEOFF DURST 305 SOUTH STATE STREET ABERDEEN, SD (605) 622-5272

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) SR KATHLEEN A BIERNE CHAIR	2 00 0 00	X		X				0	0	0
(2) BOB OLSON VICE CHAIR	2 00 0 00	X		X				0	0	0
(3) SR MARY KAY PANOWICZ DIRECTOR	1 00 2 00	X						0	0	0
(4) RICHARD WESTRA DIRECTOR	1 00 0 00	X						0	0	0
(5) GARY SHARP DIRECTOR	1 00 0 00	X						0	0	0
(6) SR JOANN STURZL DIRECTOR	1 00 1 30	X						0	0	0
(7) THOMAS LUZIER MD DIRECTOR	1 00 0 00	X						0	0	0
(8) MICHAEL EVANS DIRECTOR	1 00 0 00	X						0	0	0
(9) TAGE BORN MD DIRECTOR	1 00 0 00	X						882,654	0	43,406
(10) STUART LONNING DIRECTOR	1 00 0 00	X						0	0	0
(11) DEB KNECHT DIRECTOR	1 00 0 00	X						0	0	0
(12) JUDITH BLEDSOE DIRECTOR	1 00 0 00	X						0	0	0
(13) JOSH KRAFT DIRECTOR	1 00 0 00	X						0	0	0
(14) SR DENETTE LEIFELD OSB DIRECTOR	1 00 0 00	X						0	0	0
(15) STEPHEN PETERS MD DIRECTOR	1 00 0 00	X						474,853	0	40,183
(16) ALEX FALK MD EX OFFICIO DIRECTOR (PARTIAL YEAR)	1 00 0 00	X						340,932	0	7,786
(17) SHAHID CHAUDHARY MD EX OFFICIO DIRECTOR (PARTIAL YEAR)	1 00 0 00	X						1,029,733	0	41,936

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) TODD FORKEL PRESIDENT & CEO	40 00 0 00	X		X				0	428,322	17,815
(19) GEOFFREY DURST SEC/TREAS & SRVP FINANCE	40 00 0 00			X				212,503	0	28,671
(20) KC DEBOER VP HOSPITAL DIVISION	40 00 0 00				X			235,038	0	43,523
(21) JOHN FRITZ MD VP OUTREACH SVCS	40 00 0 00				X			318,493	0	27,788
(22) LEE KARELS VP CLINIC DIVISION	40 00 0 00				X			156,497	0	32,728
(23) FAROOK KIDWAI MD NEUROSURGEON	40 00 0 00					X		845,482	0	37,428
(24) CHRISTINE STEHLY MD OBSTETRICS/GYNECOLOGY	40 00 0 00					X		843,255	0	42,034
(25) GREGG CARLSON MD OBSTETRICS/GYNECOLOGY	40 00 0 00					X		803,966	0	46,495
(26) SCOTT BERRY MD GYNECOLOGY	40 00 0 00					X		722,976	0	42,214
(27) LESLIE LENTER MD RADIOLOGIST	40 00 0 00					X		788,467	0	39,029
(28) RON JACOBSON FORMER PRESIDENT & CEO	0 00 0 00						X	0	136,783	0

1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	7,654,849	565,105	491,036

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶ 102

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
CARDIOSOLUTION LLC 4270 GLENDALE MILFORD RD CINCINNATI OH 45242	PHYSICIANS CONTRACTED	1,666,667
MED TRANS CORPORATION 209 SH 121 BYPASS STE 11 LEWISVILLE TX 75067	CAREFLIGHT SERVICES	1,186,871
ABERDEEN SURGICAL ASSOCIATES 310 S PENN ST STE 201 ABERDEEN SD 57401	DIRECTORSHIP/SURGEON FEES	908,800
HUFF CONSTRUCTION 11 N DAKOTA ST ABERDEEN SD 57401	CONSTRUCTION	683,757
ERIC MENDOZA , 1305 BIRCHWOOD LN ABERDEEN SD 57401	PHYSICIAN CONTRACTED	380,648

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 ▶ 22

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	22,827			
	e	Government grants (contributions)	1e	2,479,351			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	173,044			
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f			2,675,222		
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICES	621110	155,816,399	155,278,756	537,643	
	b	SUPPORTING REVENUE	624100	2,747,311	2,747,311		
	c	INVEST IN PARTNERSHIP	900099	864,507	864,507		
	d	INVEST IN AH FOUNDATIO	900099	326,487	326,487		
	e	EHR INCENTIVE	900099	280,000	280,000		
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f		160,034,704			
	3	Investment income (including dividends, interest, and other similar amounts)		125,239			125,239
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	299,947				
	b	Less rental expenses	1,029,195				
	c	Rental income or (loss)	-729,248				
	d	Net rental income or (loss)		-729,248			-729,248
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	2,519,926				
	b	Less cost or other basis and sales expenses	0	194,930			
	c	Gain or (loss)	2,519,926	-194,930			
	d	Net gain or (loss)		2,324,996			2,324,996
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a	89,435			
	b	Less cost of goods sold	b	56,149			
	c	Net income or (loss) from sales of inventory		33,286			33,286
		Miscellaneous Revenue	Business Code				
	11a	INTEREST INCOME	900099	295,297			295,297
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		295,297			
	12	**Total revenue.** See Instructions		164,759,496	159,497,061	537,643	2,049,570

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	614,897	614,897		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	27,500	27,500		
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	3,808,366	2,830,266	978,100	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	77,640,078	68,933,481	8,570,496	136,101
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	4,472,770	3,967,210	497,727	7,833
9 Other employee benefits	10,770,475	9,527,592	1,224,072	18,811
10 Payroll taxes	4,516,842	3,966,651	542,359	7,832
11 Fees for services (non-employees)				
a Management				
b Legal	292,282		292,282	
c Accounting	16,567		16,567	
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)	17,364,658	7,748,650	9,592,048	23,960
12 Advertising and promotion	638,130	146,103	491,497	530
13 Office expenses	12,465,778	10,459,761	2,004,234	1,783
14 Information technology	27,963	26,436	1,527	
15 Royalties . .				
16 Occupancy	1,828,039	1,798,297	29,742	
17 Travel	386,378	248,104	132,227	6,047
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	293,668	277,127	16,541	
20 Interest	1,252,520	1,252,520		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	7,775,410	7,362,881	412,529	
23 Insurance	1,666,029	1,652,935	13,094	
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	16,149,377	16,149,377		
b BAD DEBT	6,159,905	6,159,905		
c EQUIPMENT LEASE AND REN	2,211,819	2,141,771	70,048	
d LICENSES AND PERMITS	699,815	62,685	637,130	
e All other expenses	160,327	101,452	51,517	7,358
25 **Total functional expenses.** Add lines 1 through 24e	171,239,593	145,455,601	25,573,737	210,255
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 ▶ ☐ 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) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing			1	
	2	Savings and temporary cash investments		7,686,115	2	5,989,694
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		23,927,735	4	21,573,099
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		171,730	5	56,134
	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		711,976	7	665,007
	8	Inventories for sale or use		2,352,773	8	2,926,729
	9	Prepaid expenses and deferred charges		1,266,599	9	1,285,889
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 167,943,825			
	b	Less accumulated depreciation	10b 91,941,691	79,886,617	10c	76,002,134
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		72,583,627	12	66,504,001
	13	Investments—program-related See Part IV, line 11		876,902	13	709,288
	14	Intangible assets		3,163,569	14	7,429,019
	15	Other assets See Part IV, line 11		2,010,926	15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		194,638,569	16	183,140,994
Liabilities	17	Accounts payable and accrued expenses		14,158,956	17	13,563,280
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		43,117,223	20	42,187,282
	21	Escrow or custodial account liability Complete Part IV of Schedule D		87,907	21	99,069
	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		5,113,388	25	2,613,612
	26	**Total liabilities.** Add lines 17 through 25		62,477,474	26	58,463,243
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		129,931,853	27	122,176,094
	28	Temporarily restricted net assets		1,702,233	28	1,974,002
	29	Permanently restricted net assets		527,009	29	527,655
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		132,161,095	33	124,677,751
	34	Total liabilities and net assets/fund balances		194,638,569	34	183,140,994

Part XI Reconcilliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	164,759,496
2	Total expenses (must equal Part IX, column (A), line 25)	2	171,239,593
3	Revenue less expenses Subtract line 2 from line 1	3	-6,480,097
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	132,161,095
5	Net unrealized gains (losses) on investments	5	2,158,652
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	-3,161,899
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	124,677,751

Part XII Financial Statements and Reporting

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

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST LUKE'S

Employer identification number
46-0224598

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?

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(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 III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2012** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2011** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

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	Employer identification number
AVERA ST LUKE'S	46-0224598

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? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt 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? ☐ Yes ☐ No

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 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) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		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		13,855
j	Total Add lines 1c through 1i			13,855
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 ST LUKE'S PAID DUES TO ORGANIZATIONS WHICH HAVE A PORTION OF THE DUES ATTRIBUTED TO LOBBYING ACTIVITIES

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST LUKE'S

Employer identification number
46-0224598

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds 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? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or 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 ▶ $ _____

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

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

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

b If "Yes," explain the arrangement in Part 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	(c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	1,159,121	526,177	525,050	532,742	582,869
b	Contributions		641,131			
c	Net investment earnings, gains, and losses	4,051	-8,187	1,127	-7,692	-50,127
d	Grants or scholarships					
e	Other expenditures for facilities and programs	407,154				
f	Administrative expenses					
g	End of year balance	756,018	1,159,121	526,177	525,050	532,742

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 ▶ 69 800 %
- c Temporarily restricted endowment ▶ 30 200 %

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	2,692,674	2,729,697		5,422,371
b Buildings		110,659,751	54,760,276	55,899,475
c Leasehold improvements				
d Equipment		49,680,491	35,532,523	14,147,968
e Other		2,181,212	1,648,892	532,320
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				76,002,134

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) SURGICAL ASSOCIATES ENDOSCOPY CENTER LLC	160,532	F
(B) ASSETS LIMITED TO USE - AVERA POOLED INVESTMENTS	63,344,399	F
(C) INVESTMENT IN AVERA HEALTH FOUNDATION	2,999,070	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	66,504,001	

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

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

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

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

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	1,066,274
INTEREST RATE SWAP AGREEMENT	1,547,338
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	2,613,612

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740) Check here if the text of the footnote has been provided in Part XIII ☑

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

1	Total revenue, gains, and other support per audited financial statements			1	161,425,691
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	2,158,652		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-4,331,169		
e	Add lines **2a** through **2d**			2e	-2,172,517
3	Subtract line **2e** from line **1**			3	163,598,208
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	1,161,288		
c	Add lines **4a** and **4b**			4c	1,161,288
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	164,759,496

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

1	Total expenses and losses per audited financial statements			1	165,543,646
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	484,825		
e	Add lines **2a** through **2d**			2e	484,825
3	Subtract line **2e** from line **1**			3	165,058,821
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	6,180,772		
c	Add lines **4a** and **4b**			4c	6,180,772
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	171,239,593

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 IN TRUST ON BEHALF OF ITS RESIDENTS
DESCRIPTION OF INTENDED USE OF ENDOWMENT FUNDS	PART V, LINE 4	THE ORGANIZATION'S ENDOWMENTS CONSIST OF A PORTION OF THEIR INTEREST IN THE NET ASSETS OF THE AVERA HEALTH FOUNDATION THE AVERA HEALTH FOUNDATION INCLUDES ENDOWMENT FUNDS WHICH HAVE BEEN ESTABLISHED FOR A VARIETY OF PURPOSES AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, NET ASSETS ASSOCIATED WITH ENDOWMENT FUNDS, INCLUDING FUNDS DESIGNATED BY THE BOARD OF DIRECTORS TO FUNCTION AS ENDOWMENTS (IF ANY), ARE CLASSIFIED AND REPORTED BASED ON THE EXISTENCE OR ABSENCE OF DONOR-IMPOSED RESTRICTIONS THE ORGANIZATION'S PERMANENTLY RESTRICTED ENDOWMENT FUNDS ARE DONOR RESTRICTED
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE ORGANIZATION IS ORGANIZED AS A NONPROFIT CORPORATION AND HAS BEEN RECOGNIZED BY THE INTERNAL REVENUE SERVICE (IRS) AS EXEMPT FROM FEDERAL INCOME TAXES UNDER INTERNAL REVENUE CODE SECTION 501(C)(3) THE ORGANIZATION IS ANNUALLY REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE IRS IN ADDITION, THE ORGANIZATION IS SUBJECT TO INCOME TAX ON NET INCOME THAT IS DERIVED FROM BUSINESS ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE THE ORGANIZATION FILES AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT ITS UNRELATED BUSINESS TAXABLE INCOME THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE CONSOLIDATED FINANCIAL STATEMENTS THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED THE ORGANIZATION'S FEDERAL FORM 990T FILINGS ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2010 THE SUBSIDIARY IS TREATED AS A PARTNERSHIP FOR FEDERAL TAX PURPOSES NO PROVISION FOR INCOME TAXES HAS BEEN PROVIDED SINCE THE MEMBERS INCLUDE THE SUBSIDIARY'S EARNINGS IN THEIR TAX RETURNS THE SUBSIDIARY BELIEVES THAT IT DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE CONSOLIDATED FINANCIAL STATEMENTS
PART XI, LINE 2D - OTHER ADJUSTMENTS		LOSS FROM RETIREMENT OF DEBT RECORDED AS REVENUE FOR FINANCIAL STATEMENTS -852,766 SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC INCOME INCLUDED IN CONSOLIDATED F/S 2,477,537 CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS RECORDED IN REVENUE FOR F/S 721,050 RECLASS OF ACCUM LOSSES ON INTEREST RATE SWAPS RECORDED IN REVENUE FOR F/S -70,867 ELIMINATIONS REPORTED FOR CONSOLIDATED FINANCIAL STATEMENTS -446,218 BAD DEBT REPORTED IN REVENUE ON FINANCIAL STATEMENTS -6,159,905
PART XI, LINE 4B - OTHER ADJUSTMENTS		AUXILIARY REVENUE NOT RECORDED FOR FINANCIAL STATEMENT PURPOSES 40,817 INVESTMENT INCOME REPORTED IN FUND BALANCE FOR FINANCIAL STATEMENTS 46 CHANGE IN INVESTMENT IN SAEC LLC REPORTED FOR TAX PURPOSES 864,507 CHANGE IN INTEREST IN FOUNDATION RECORDED IN FUND BALANCE FOR F/S 255,918
PART XII, LINE 2D - OTHER ADJUSTMENTS		SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC EXPENSES PART OF CONSOLIDATED F/S 931,043 ELIMINATIONS REPORTED FOR CONSOLIDATED FINANCIAL STATEMENTS -446,218
PART XII, LINE 4B - OTHER ADJUSTMENTS		AUXILIARY EXPENSES NOT RECORDED FOR FINANCIAL STATEMENT PURPOSES 20,867 BAD DEBT REPORTED IN REVENUE ON FINANCIAL STATEMENTS 6,159,905

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST LUKE'S

Employer identification number
46-0224598

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			
	☑ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ 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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care	3a	Yes	
	☐ 100% ☑ 150% ☐ 200% ☐ Other _____ %			
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care	3b	Yes	
	☐ 200% ☐ 250% ☐ 300% ☐ 350% ☑ 400% ☐ Other _____ %			
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	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	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligibile for free or discounted care?	5c		No
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)			1,801,016		1,801,016	1 090 %
b Medicaid (from Worksheet 3, column a)			12,786,266	7,086,917	5,699,349	3 450 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			3,411,680	2,628,098	783,582	0 470 %
d **Total** Financial Assistance and Means-Tested Government Programs			17,998,962	9,715,015	8,283,947	5 010 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		16,177	458,029	75,501	382,528	0 230 %
f Health professions education (from Worksheet 5)		329	53,691	11,394	42,297	0 030 %
g Subsidized health services (from Worksheet 6)		1,188	7,153,572	5,005,162	2,148,410	1 300 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)		14,115	1,198,702	8,615	1,190,087	0 720 %
j **Total.** Other Benefits		31,809	8,863,994	5,100,672	3,763,322	2 280 %
k **Total.** Add lines 7d and 7j		31,809	26,862,956	14,815,687	12,047,269	7 290 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	6,159,905		
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	35,883,263		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	40,647,913		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-4,764,650		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

Part IV **Management Companies and Joint Ventures** (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	1 SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC	ENDOSCOPY PROCEDURES	51 000 %		49 000 %
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 ST LUKE'S 305 SOUTH STATE STREET ABERDEEN,SD 57401	X	X					X		4 PROVIDER BASED CLINICS	

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)

Name of hospital facility or facility reporting group AVERA ST LUKE'S

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	**1**	Yes	
	If "Yes," indicate what the CHNA report describes (check all that apply)			
a	☑ A definition of the community served by the hospital facility			
b	☑ Demographics of the community			
c	☑ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☑ How data was obtained			
e	☑ The health needs of the community			
f	☑ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g	☑ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☑ The process for consulting with persons representing the community's interests			
i	☑ Information gaps that limit the hospital facility's ability to assess the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12			
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?	**5**	Yes	
	If "Yes," indicate how the CHNA report was made widely available (check all that apply)			
a	☑ Hospital facility's website			
b	☑ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a	☑ Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b	☑ Execution of the implementation strategy			
c	☑ Participation in the development of a community-wide plan			
d	☑ Participation in the execution of a community-wide plan			
e	☑ Inclusion of a community benefit section in operational plans			
f	☑ Adoption of a budget for provision of services that address the needs identified in the CHNA			
g	☑ Prioritization of health needs in its community			
h	☑ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☑ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted 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)*

			Yes	No
Financial Assistance Policy				
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 *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
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?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☑ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☐ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☑ 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	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ 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	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ 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?	**19**	Yes	
If "No," indicate why			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d ☐ Other (describe in Part VI)			

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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☑ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☐ Other (describe in Part VI)			
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?	**21**		No
If "Yes," explain in Part VI			
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?	**22**	Yes	
If "Yes," explain in Part VI			

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?
13

	Name and address	Type of Facility (describe)
1	See Additional Data Table	
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, 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 TO DETERMINE ELIGIBILITY FOR CHARITY CARE, AVERA ST LUKE'S HAS DEVELOPED A TEST WHICH UTILIZES A COMBINATION OF HOUSEHOLD INCOME, HOUSEHOLD ASSETS, AND ALSO CONSIDERS UNPAID PAST AND ONGOING MEDICAL EXPENSES CHARITY DISCOUNTS MAY RANGE FROM 10 - 100% DEPENDING ON SCORE
		PART I, LINE 6A OUR COMMUNITY BENEFIT REPORT IS CONTAINED IN A REPORT PREPARED BY AVERA HEALTH, A RELATED ORGANIZATION IT IS AVAILABLE THROUGH THE WEBSITE AND REQUESTED MAILING, AND IS FILED WITH THE CATHOLIC HEALTH ASSOCIATION

Identifier	ReturnReference	Explanation
		PART I, LINE 7 A COMBINATION OF COSTING METHODOLOGIES WERE USED TO CALCULATE THE AMOUNTS REPORTED IN THE TABLE A COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE COST-TO-CHARGES WAS USED TO CALCULATE CHARITY CARE AT COST, UNREIMBURSED MEDICAID AND MEANS-TESTED GOVERNMENT PROGRAM EXPENSES SUBSIDIZED HEALTH WAS CALCULATED BASED ON ACTUAL COST/LOSS FOR ALL OTHER AMOUNTS, COSTS AND REVENUES AS REFLECTED BY THE GENERAL LEDGER SYSTEM WERE USED
		PART I, L7 COL(F) BAD DEBT EXPENSE OF $6,159,905 IS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) BUT EXCLUDED FOR PURPOSES OF CALCULATING THIS PERCENTAGE

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF REDUCES BAD DEBT EXPENSE IN THE CURRENT YEAR AVERA ST LUKE'S 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 FOLLOWING THE EVALUATION OF THE AMOUNT THE FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSES IS LOCATED IN FOOTNOTE 1 ON PAGE 8 OF THE ATTACHED FINANCIAL STATEMENTS
		PART III, LINE 8 MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CENTERS FOR MEDICARE AND MEDICAID SERVICES AVERA ST LUKE'S FOLLOWS THE CHA GUIDELINES IN REPORTING COMMUNITY BENEFITS AND THEREFORE ANY MEDICARE SHORTFALL (AS CALCULATED INCLUDING OUR NON-COST REPORT ENTITIES) IS EXCLUDED FROM OUR COMMUNITY BENEFIT REPORT HOWEVER, MEDICARE IS THE ORGANIZATION'S LARGEST PAYER AND PATIENTS WITH MEDICARE COVERAGE ARE ACCEPTED REGARDLESS OF WHETHER OR NOT A SURPLUS OR DEFICIT IS REALIZED FROM PROVIDING THE SERVICES THIS BASIS THEREFORE MEANS PROVIDING MEDICARE SERVICES PROMOTES ACCESS TO HEALTHCARE SERVICES WHICH IS A KEY ADVANTAGE FOR OUR COMMUNITY

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF THE PATIENT QUALIFIES FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME, UNINSURED PATIENTS AND IS COOPERATING WITH THE ORGANIZATION WITH REGARD TO EFFORTS TO SETTLE AN OUTSTANDING BILL WITHIN A REASONABLE TIME PERIOD, THE ORGANIZATION OR ITS AGENT SHALL NOT SEND, NOR INTIMATE 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 ST LUKE'S DOES NOT REPORT ANY DATA TO ANY OF THE CREDIT AGENCIES, HOWEVER, THE COLLECTION AGENCIES AVERA ST LUKE'S 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 ST LUKE'S		PART V, SECTION B, LINE 3 AVERA ST LUKE'S CONDUCTED FIVE FOCUS GROUPS REPRESENTING COMMUNITY LEADERS AND MEMBERS, HEALTH CARE PROVIDERS, UNINSURED/UNDERINSURED PERSONS AND POLICY MAKERS IN ORDER TO DISCUSS HEALTH CARE NEEDS AND CONCERNS IN BROWN COUNTY THE HOSPITAL INVITED A VAST ARRAY OF INDIVIDUALS FROM ALL FACETS OF THE COMMUNITY TO PARTICIPATE IN THE FOCUS GROUPS THOSE INDIVIDUALS WHO WERE ABLE TO ATTEND ONE OF THE FOCUS GROUPS INCLUDED REPRESENTATIVES FROM LOCAL SCHOOLS, INCLUDING COLLEGES AND UNIVERSITIES, HEALTH CARE RELATED ORGANIZATIONS, BROWN COUNTY, CHURCHES, CITY OFFICIALS, AND OTHER GOVERNMENT OFFICIALS

Identifier	ReturnReference	Explanation
AVERA ST LUKE'S		PART V, SECTION B, LINE 5C THE COMMUNITY HEALTH NEEDS ASSESSMENT CAN BE ACCESSED AT HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/
AVERA ST LUKE'S		PART V, SECTION B, LINE 6I AVERA ST LUKE'S ADOPTED AN IMPLEMENTATION STRATEGY TO ADDRESS THE COMMUNITY HEALTH NEEDS IDENTIFIED IN ITS COMMUNITY HEALTH NEEDS ASSESSMENT THE IMPLEMENTATION STRATEGY IS POSTED TO THE HOSPITAL'S WEBSITE AT HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/

Identifier	ReturnReference	Explanation
AVERA ST LUKE'S		PART V, SECTION B, LINE 7 THE FOLLOWING KEY THEMES WERE IDENTIFIED BY THE FOCUS GROUPS AS COMMUNITY NEEDS THE HOSPITAL REVIEWED AND ACCESSED ITS CURRENT INVOLVEMENT IN EACH TO DETERMINE FUTURE STEPS TO TAKE THE HOSPITAL HAS INVOLVEMENT IN THE FOLLOWING FIVE IDENTIFIED AREAS BUT HAS CHOSEN TO NOT EXPAND ON PROVIDING MORE ASSISTANCE HEALTH CARE AFFORDABILITYAVERA ST LUKE'S DOES MANY THINGS IN ORDER TO HELP WITH HEALTH CARE AFFORDABILITY THE SOCIAL SERVICES DEPARTMENT PROVIDES ASSISTANCE TO THOSE UNABLE TO PAY FOR SERVICES AND THE BUSINESS OFFICE ASSISTS PATIENTS AS NEEDED IN SETTING UP PAYMENT PLANS IN ADDITION, THROUGH OUR FINANCIAL ASSISTANCE POLICY, WHICH INCLUDES CHARITY CARE, AVERA ST LUKE'S FORGAVE OVER $4 7 MILLION IN PATIENT BILLS IN FISCAL YEAR 2012 ACCESS TO HEALTH CARE SPECIALISTSAVERA ST LUKE'S CURRENTLY OFFERS 27 PHYSICIAN SPECIALTIES LOCALLY THE AVERA ST LUKE'S PHYSICIAN RECRUITER WORKS ON AN ONGOING BASIS TO RECRUIT ADDITIONAL SPECIALISTS AS NEEDED AVERA ST LUKE'S ALSO HAS ACCESS TO ECONSULT SERVICES ECONSULT IS A PROGRAM FACILITATED BY THE AVERA HEALTH SYSTEM THAT USES CUTTING EDGE TECHNOLOGY TO PROVIDE ACCESS TO SPECIALTY SERVICES IN RURAL FACILITIES THROUGH TWO-WAY VIDEO TECHNOLOGY PREVENTIVE CARE AND EDUCATIONAVERA ST LUKE'S CURRENTLY HAS NUMEROUS PROGRAMS THAT PROVIDE PREVENTIVE CARE AND HEALTH EDUCATION OPPORTUNITIES TO THE COMMUNITY SUCH AS SCREENING, HEALTH FAIRS, FITNESS PROGRAMS, EDUCATION, CLASSES, HEALTH FORUMS AND SAFETY CHRONIC DISEASE CAREAVERA ST LUKE'S CURRENTLY PROVIDES BOTH SUPPORT AND CARE FACILITIES FOR THE CHRONICALLY ILL THROUGH OUR KIDNEY DIALYSIS UNIT, BEHAVIORAL HEALTH SERVICES, HOME HEALTH, PALLIATIVE CARE AND HOSPICE SERVICES TRAVEL AND ACCESSIBILITY TO CAREAVERA ST LUKE'S MONETARILY SUPPORTS THE ABERDEEN RIDE LINE SERVICE AS WELL AS THE GROTON COMMUNITY TRANSIT SERVICE FOR PATIENTS WHO HAVE NO TRANSPORTATION TO DOCTOR APPOINTMENTS TWO FASTCARE CLINICS PROVIDE AFTER HOURS AND WEEKEND CARE, THE ER IS STAFFED 24-HOURS A DAY, HELICOPTER SERVICES ARE AVAILABLE 24-HOURS A DAY, ST LUKE'S OPERATES TWO CRITICAL ACCESS HOSPITALS AND FIVE PRIMARY CLINICS, SPECIALISTS TRAVEL TO EIGHT COMMUNITIES WITHIN THE REGION ON A MONTHLY BASES TO PROVIDE CLINIC SERVICES, ECONSULT SERVICES ARE AVAILABLE, AND THE AUXILIARY GUEST HOUSE IS AVAILABLE AT A LOW PRICE FOR PATIENTS AND FAMILIES WHO NEED OVERNIGHT STAYS AND CAN'T AFFORD A HOTEL
AVERA ST LUKE'S		PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED IN THE HOSPITAL FACILITY'S EMERGENCY ROOMS, WAITING ROOMS, AND ADMISSIONS OFFICE AND IS 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 ST LUKE'S		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 HEALTH CARE NEEDS ARE ASSESSED THROUGH VARIOUS METHODS GIVEN ABERDEEN IS A REGIONAL CENTER/HUB AND THE THIRD LARGEST CITY IN SOUTH DAKOTA, AVERA ST LUKE'S IS INTEGRALLY INVOLVED WITH COMMUNITY ORGANIZATIONS, UNIVERSITIES/COLLEGES, SCHOOLS, STATE PROGRAMS AND LOCAL GOVERNMENTS ALTHOUGH ANOTHER SMALLER HOSPITAL OPENED IN ABERDEEN DURING FY 2013, THE NEXT LARGEST HOSPITAL IS 100 MILES FROM ABERDEEN AND MOST OF THE TOWNS WITHIN OUR REGION HAVE A POPULATION OF LESS THAN 2,000 BY WORKING WITH ALL IN OUR REGION, WE ARE ABLE TO DETERMINE HEALTH NEEDS AND PROVIDE PROGRAMS AND SOLUTIONS WHERE POSSIBLE OUR COMMUNITY HEALTH NEEDS ASSESSMENT WAS COMPLETED AND POSTED TO OUR WEBSITE BY JUNE 30, 2013

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE ORGANIZATION UTILIZES VARIOUS METHODS TO INFORM PATIENTS ABOUT OUR FINANCIAL ASSISTANCE POLICY ADMITTING AREAS HAVE SIGNS/POSTERS NOTING CHARITY CARE AND FINANCIAL ASSISTANCE AVERA ST LUKE'S AND AVERA HEALTH UTILIZE THE INTERNET TO ADDRESS FINANCIAL ASSISTANCE SOCIAL WORKERS ARE IN DIRECT CONTACT WITH PATIENTS AND MAKE REFERRALS TO THE BUSINESS OFFICE FOR FINANCIAL ASSISTANCE AND IN MANY CASES, WORK DIRECTLY WITH THE PATIENT ON VARIOUS GOVERNMENT PROGRAMS WHICH MAY BE AVAILABLE AND HELP WITH APPLICATIONS FOR THOSE WHO RECEIVE BILLS FOR SERVICES AND HAVE CONCERNS ABOUT THEIR ABILITY TO PAY, FINANCIAL COUNSELORS WORK DIRECTLY WITH THEM ON FINANCIAL ASSISTANCE WE HAVE BROCHURES AVAILABLE TO ALL AND TREAT ALL WITHOUT REGARD TO THEIR ABILITY TO PAY
		PART VI, LINE 4 ABERDEEN IS THE THIRD LARGEST CITY IN SOUTH DAKOTA USING SOUTH DAKOTA ESTIMATED DATA FOR 2012 AND 2013, CENSUS REFLECTED A POPULATION OF APPROXIMATELY 26,791 OUR PRIMARY SERVICE AREA CONSISTS OF THE FOLLOWING COUNTIES BROWN, MARSHALL, DAY, FAULK, EDMUNDS, MCPHERSON, SPINK AND DICKEY COUNTY IN NORTH DAKOTA THE POPULATION OF THIS AREA IS APPROXIMATELY 64,000 OUR SECONDARY SERVICE AREA INCLUDES OTHER CLOSE BY COUNTIES THIS LARGE SERVICE AREA IS DUE TO OUTREACH AND THE SCOPE OF SPECIALTY SERVICES OFFERED BY AVERA ST LUKE'S FOR WHICH IF NOT OFFERED, A PATIENT WOULD TRAVEL UP TO 200 MILES FOR THE SAME SERVICE GIVEN WE ARE A RURAL COMMUNITY IN THE TRUEST SENSE, WE HAVE A VERY AGED POPULATION MANY OF THE PATIENTS WITHIN THIS REGION ARE MEDICARE AGE OTHER THAN THE HOSPITAL THAT OPENED IN ABERDEEN DURING FY 2013, THE NEXT CLOSEST HOSPITALS ARE 40 TO 100 MILES AWAY AND HAVE LIMITED SERVICES AND ARE CRITICAL ACCESS HOSPITALS SERVED BY LIMITED PHYSICIANS PATIENT DEMOGRAPHICS WITHIN THE REGION WOULD INDICATE THAT AFTER YOU CONSIDER THOSE PATIENTS ADMITTED TO THE SMALLER HOSPITALS, THE MAJORITY OF THE REST SEEK SERVICES AT AVERA ST LUKE'S AND THE OTHER HOSPITAL IN ABERDEEN THE POPULATION IN THE PRIMARY SERVICE COUNTIES RANGE FROM 2,457 TO 37,907 SOUTH DAKOTA CENSUS DATA ESTIMATES FOR 2012 AND 2013 CONTAINS MANY DATA ELEMENTS, THEREFORE, WILL COMMENT ON BROWN COUNTY (LOCATION OF AVERA ST LUKE'S), SPINK COUNTY (SECOND LARGEST IN PRIMARY SERVICE AREA WITH GROWTH) AND MCPHERSON COUNTY (DUE TO AGED POPULATION) % CHANGE IN POP % OVER 65 NON-WHITE POP % STATE OF SD 3 8% 14 7 13 8BROWN COUNTY 3 8 15 9 7 2 SPINK COUNTY 3 0 19 3 2 8MCPHERSON COUNTY - 01 29 6 1 6MEDIAN HOUSEHOLD INCOMESTATE OF SD 48,362BROWN COUNTY 49,504SPINK COUNTY 46,884MCPHERSON COUNTY 36,314AS THE ABOVE INDICATE, OUR REGION HAS EXPERIENCED ESSENTIALLY LITTLE GROWTH AND THE PERCENT OVER 65 YEARS OLD IS HIGH COMPARED TO THE STATE AVERAGE THE HIGH AVERAGE AGE CORRELATES WITH MEDICARE ADMISSIONS BEING APPROXIMATELY 50% OF TOTAL ADMISSIONS MEDICAID ADMISSIONS, INCLUDING BABIES, TOTALED 685 OR 14 9% OF ALL ADMISSIONS IN ADDITION TO MEDICARE AND MEDICAID, THERE IS A COUNTY INDIGENT PROGRAM WHICH RESULTED IN APPROXIMATELY $1,120,000 OF ASSISTANCE AT CHARGE AND WAS FOR 164 PATIENTS FROM AN UNEMPLOYMENT STANDPOINT, SOUTH DAKOTA AND OUR REGION HAS FAIRED MUCH BETTER THAN THE US WITHIN THE PRIMARY SERVICE AREA, CURRENT UNEMPLOYMENT RATES RANGE FROM A LOW OF 3 7% IN BROWN COUNTY TO A HIGH OF 8 5% IN DAY COUNTY

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 AVERA ST LUKE'S IS A REGIONAL FACILITY WITHIN AVERA HEALTH SYSTEM WE ARE A HEALTH MINISTRY COSPONSORED BY THE BENEDICTINE SISTERS OF YANKTON, SOUTH DAKOTA AND THE PRESENTATION SISTERS OF ABERDEEN, SOUTH DAKOTA OUR HEALTH MINISTRY IS ROOTED IN THE GOSPEL AND REQUIRES US TO MAKE A POSITIVE IMPACT IN THE LIVES AND HEALTH OF PERSONS AND COMMUNITIES BY PROVIDING QUALITY SERVICES GUIDED BY CHRISTIAN VALUES AVERA ST LUKE'S VISION IS TO BE AN EXCEPTIONAL HEALTH CARE ORGANIZATION FOR PATIENTS TO RECEIVE CARE, PHYSICIANS TO PRACTICE AND EMPLOYEES TO WORK THE ORGANIZATION'S VALUES ARE COMPASSION, HOSPITALITY AND STEWARDSHIP OUR GOVERNING BODY CONSISTS OF 17 MEMBERS WHO ARE PHYSICIANS, COMMUNITY AND REGIONAL RESIDENTS AND SISTER REPRESENTATIVES FROM THE PRESENTATION AND BENEDICTINE ORDERS IN ADDITION, FOUR EMPLOYEES (THREE PHYSICIANS AND THE CEO) SERVE ON THE BOARD THE GOVERNING BODY INCLUDED ONE SISTER WHO REPRESENTS BOTH ORDERS AND IS A SYSTEM REPRESENTATIVE IN ADDITION TO THE GOVERNING BODY, WE HAVE VARIOUS ADVISORY BOARDS THESE INCLUDE CITIZEN'S ADVISORY BOARD, FOUNDATION BOARD AND HOME HEALTH, HOSPICE, AND PALLIATIVE CARE ADVISORY BOARD MEDICAL STAFF PRIVILEGES CAN BE EXTENDED TO QUALIFIED PHYSICIANS BASED ON RECEIVING APPROVAL OF THEIR APPLICATION AND CREDENTIALS BY THE MEDICAL DENTAL STAFF AND THEN THE HOSPITAL GOVERNING BODY THE HOSPITAL'S GOVERNING BODY THEN TAKES INTO ACCOUNT OTHER FACTORS RELATED TO OVERALL COMMUNITY NEED AND HOW A PHYSICIAN WOULD IMPACT THE HOSPITAL'S OVERALL ABILITY TO FULFILL THE MISSION AVERA ST LUKE'S MISSION AND VALUES ENSURE OUR FOCUS IS ON THE PATIENT, FAMILY, EMPLOYEES, PHYSICIAN, THOSE IN NEED, VISITORS AND OUR REGION AS A WHOLE THE VALUE OF STEWARDSHIP REQUIRES THE ORGANIZATION TO USE ALL RESOURCES IN A WAY THAT FULFILLS THE MISSION AND VALUES EACH YEAR, OUR OPERATING AND CAPITAL BUDGETS ARE BASED ON VARIOUS ASSUMPTIONS THAT IN THE END PROVIDE THE NEEDED RESOURCES AND TAKE INTO ACCOUNT CHARITY CARE, PATIENT CARE, TECHNOLOGY, EDUCATION, COMMUNITY SERVICES, EMPLOYEE BENEFIT AND COMPENSATION PLANS AND PROGRAMS FOR MEETING THE REGION'S NEEDS ALL SURPLUS FUNDS ARE USED AND MAINTAINED TO PROVIDE FOR BOTH CURRENT AND FUTURE NEEDS SPECIFIC EXAMPLES OF HOW WE FURTHER OUR EXEMPT PURPOSE INCLUDE BUT ARE NOT LIMITED TO THE FOLLOWING A THE ONLY INPATIENT REHABILITATION UNIT WITHIN 200 MILES B THE ONLY INPATIENT PSYCHIATRIC UNIT WITHIN 200 MILESC INTERVENTIONAL CARDIOLOGY AND RADIOLOGY SERVICES THESE SERVICES ALLOW US TO MEET PATIENT NEEDS WHEN CARE IS CRITICAL TO THEIR SURVIVAL AND MUST BE DELIVERED ON A VERY TIMELY BASIS D AIR AMBULANCE TO TRANSPORT PATIENTS TO OUR FACILITY OR 200 MILES TO TERTIARY FACILITIES E END STAGE RENAL DISEASE PROGRAM WHICH SERVES OUR BROAD REGION WITH THE NEXT CLOSEST FACILITY BEING 100 MILES AWAY ADDITIONALLY, WE EMPLOYEE A FULL-TIME NEPHROLOGIST TO CARE FOR THE PATIENTS ALONG WITH OTHERS WHO REQUIRE INTENSIVE PHYSICIAN CARE F A 24 HOUR EMERGENCY ROOM WHICH TREATS ALL PATIENTS WITHOUT REGARD TO THE ABILITY TO PAY THE ER IS STAFFED BY PHYSICIANS 24 HOURS PER DAY G PROVISION OF A MULTITUDE OF EDUCATIONAL AND TRAINING PROGRAMS FOR HEALTHCARE PROFESSIONALS AND REGIONAL RESIDENTS THE REGION WAS AWARDED AN AREA HEALTH EDUCATION CENTER BY THE SOUTH DAKOTA SCHOOL OF MEDICINE AND WILL BE LOCATED IN ABERDEEN THE AWARD WAS BASED ON APPLICATIONS AND INTERVIEWS WITHIN THE STATE AND WAS A COLLABORATIVE EFFORT OF MANY HEALTHCARE AND NON-HEALTHCARE ORGANIZATIONS WITHIN THE REGION WITH TWO BEING 100 MILES FROM ABERDEEN H AVERA ST LUKE'S IS CURRENTLY A RURAL REFERRAL CENTER THE NEAREST HOSPITALS ARE TERTIARY FACILITIES 200 MILES AWAY BY GROUND AND APPROXIMATELY 140 MILES BY AIR I AVERA ST LUKE'S PARTICIPATES IN MANY COMMUNITY ORGANIZATIONS AND EFFORTS TO BETTER THE REGION LEADERSHIP OF THE ORGANIZATION IS ON BOARDS OF MANY EXEMPT ORGANIZATIONS (SALVATION ARMY, YMCA, FOUNDATIONS, COLLEGE/UNIVERSITY ADVISORY BOARDS, YOUTH ADULT PARTNERSHIP OF ABERDEEN) J OUR FOUNDATION BOARD WORKS DILIGENTLY TO NOT ONLY ATTRACT OUTSIDE FUNDS BUT TO ENSURE THEY MEET THE NEEDS OF OUR ORGANIZATION AND OVERSEES THEIR USE K OUR AUXILIARY AND VOLUNTEERS PROVIDE OPPORTUNITIES FOR OVER 400 INDIVIDUALS THE AUXILIARY PROVIDES ANNUAL SCHOLARSHIPS OF $500 FOR STUDENTS ENTERING HIGHER EDUCATION IN HEALTH RELATED FIELDS IN FISCAL YEAR 2013, 18,423 HOURS OF SERVICE WERE PROVIDED TO AVERA ST LUKE'S BY VOLUNTEERS WHICH REDUCES COSTS L PROVIDE ASSISTANCE TO SMALL RURAL HOSPITALS (CRITICAL ACCESS HOSPITALS) WITHIN THE REGION THROUGH VARIOUS PROGRAMS, MANAGEMENT AGREEMENTS, COMPUTER SYSTEMS, EDUCATIONS AND OTHER SERVICES TO ASSIST IN KEEPING THEIR AREA'S PATIENTS IN THE LOCAL COMMUNITY WHEN POSSIBLE M RECRUITMENT OF SPECIALISTS IN NEPHROLOGY, NEUROSURGERY, NEUROLOGY, CARDIOLOGY AND PSYCHIATRY TO MEET THE REGION'S NEED IN ORDER TO ELIMINATE TRAVEL OF 200 MILES TO OBTAIN THESE SERVICES N DEVELOPMENT AND SUBSIDY OF VARIOUS RURAL CLINICS TO MEET NEEDS IN THOSE COMMUNITIES O DEVELOPMENT OF A LOCAL CLINIC TO PROVIDE PRIMARY HEALTH CARE (NOT URGENT OR EMERGENCY CARE) TO INDIVIDUALS REGARDLESS OF THEIR ABILITY TO PAY IN A SETTING THAT IS CONDUCIVE TO WALK-IN FOR A VERY MINIMAL COST (ABOUT $65 - $90) THIS CLINIC IS STAFFED BY MID-LEVEL PROVIDERS (PA/NURSE PRACTIONERS) AND IS OPEN ON WEEKEND AND CERTAIN HOLIDAYS TO ALL AND INSURANCE BILLING IS PROVIDED P CHEMICAL ADDICTION SERVICES ON AN OUTPATIENT BASIS ARE PROVIDED TO THE REGION AND STATE OUR WORTHMORE PROGRAM IS WELL KNOWN AND RESPECTED WITHIN THE REGION AND STATE AND IS THE CLOSEST PROGRAM WITHIN 150-200 MILES WE CONTRACT WITH THE STATE FOR PATIENTS WHO MEET THEIR QUALIFICATION GUIDELINES AND WORK WITH GOVERNMENTAL AGENCIES WITHIN THE REGION AND STATE Q PROVIDE DRUG AND ALCOHOL PREVENTION PROGRAMS TO THE LOCAL SCHOOLS THROUGH VARIOUS CONTRACTS OUR INVOLVEMENT STARTED WHEN THE PREVIOUS PROVIDER DISCONTINUED THEIR CONTRACT R PROVIDE HOME CARE (HOMEMAKER) SERVICES TO THE REGION THROUGH A STATE CONTRACT MANY YEARS AGO, THE STATE PROVIDED THESE SERVICES BUT DISCONTINUED THEIR DIRECT INVOLVEMENT AND OPTED FOR CONTRACTING WITH REGIONAL PROVIDERS TO MEET THEIR NEEDS, AVERA ST LUKE'S THEN CONTRACTED WITH LOCAL PROVIDERS IN THE REAL RURAL AREAS OF THE REGION TO ENSURE COVERAGE COULD BE PROVIDED TO THEIR RESIDENTS
		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

Additional Data

Software ID:
Software Version:
EIN: 46-0224598
Name: AVERA ST LUKE'S

Form 990 Schedule H, Part V Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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?
13

Name and address	Type of Facility (describe)
AVERA MOTHER JOSEPH MANOR 1002 N JAY STREET ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA EUREKA HEALTH CARE CENTER E HWY 10 EUREKA,SD 57437	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP OB-GYN 310 S PENN ST SUITE 204 ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP EAR NOSE AND THROAT 201 S LLOYD ST SUITE E106 ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
ABERDEEN PLASTIC SURGERY ASSOCIATES 201 S LLOYD ST SUITE W230 ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
MARSHALL COUNTY MEDICAL CLINICAVERA 413 9TH ST BRITTON,SD 574302274	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP PEDIATRICS 201 S LLOYD ST SUITE E205 ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA CLINIC OF ELLENDALE 240 MAIN ST ELLENDALE,ND 58436	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP FASTCARE SHOPKO 500 N HWY 281 ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP FASTCARE KESSLERS 615 6TH AVE SE ABERDEEN,SD 57401	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP SELBY 4401 MAIN ST SELBY,SD 57472	NURSING HOME, ASSISTED AND CONGREGATE LIVING
AVERA MEDICAL GROUP WEBSTER 401 E HIGHWAY 12 SUITE 2 WEBSTER,SD 57274	NURSING HOME, ASSISTED AND CONGREGATE LIVING
COSMETIC AND PLASTIC SURGERY 4141 31ST AVE S SUITE 105 FARGO,ND 58104	NURSING HOME, ASSISTED AND CONGREGATE LIVING

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST LUKE'S

Employer identification number
46-0224598

Part I General Information on Grants and Assistance

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

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

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

Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than $5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) NORTHERN STATE UNIVERSITY FOUNDATION 620 15TH AVE SE ABERDEEN,SD 57401	23-7002314	501(C)(3)	171,675				GENERAL SUPPORT
(2) ABERDEEN RIDE LINE 205 N 4TH STREET ABERDEEN,SD 57401	46-6000010	CITY OF ABERDEEN	11,880				GENERAL SUPPORT
(3) ABSOLUTELY ABERDEEN 416 PRODUCTION STREET NORTH ABERDEEN,SD 57401	52-2424588	501(C)(6)	10,000				GENERAL SUPPORT
(4) PRESENTATION COLLEGE 1500 N MAIN ABERDEEN,SD 57401	52-2424588	501(C)(3)	167,250				GENERAL SUPPORT
(5) ABERDEEN CHAMBER OF COMMERCE 516 S MAIN ST ABERDEEN,SD 57401	46-0103710	501(C)(6)	6,577				GENERAL SUPPORT
(6) BETHESDA HOME OF ABERDEEN 1224 S HIGH ST ABERDEEN,SD 57401	46-0367117	501(C)(3)	10,000				GENERAL SUPPORT
(7) ABERDEEN CATHOLIC SCHOOL SYSTEM 1400 N DAKOTA ST ABERDEEN,SD 57401	46-0336005	501(C)(3)	154,975				GENERAL SUPPORT
(8) UNIVERSITY OF SOUTH DAKOTA FOUNDATION 1110 N DAKOTA VERMILLION,SD 57069	46-6018891	501(C)(3)	24,000				GENERAL SUPPORT
(9) BOYS & GIRLS CLUB OF ABERDEEN SD INC 1111 SE 1ST AVE ABERDEEN,SD 57401	23-7062273	501(C)(3)	5,265				GENERAL SUPPORT
(10) AVERA HEALTH 3900 WEST AVERA DR STE 300 SIOUX FALLS,SD 57108	46-0422673	501(C)(3)	28,685				GENERAL SUPPORT

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 8

3 Enter total number of other organizations listed in the line 1 table . . . . . ▶ 2

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 SCHOLARSHIPS	4	24,000			
(2) EDUCATIONAL SCHOLARSHIPS	6	3,500			

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 AVERA ST LUKE'S POLICY IS TO PROVIDE GRANTS/CONTRIBUTIONS TO NOT-FOR-PROFIT ENTITIES AND GOVERNMENTAL DIVISIONS THAT BENEFIT THE COMMUNITY AND REGION THROUGH PROGRAMS AND ACTIVITIES THE ORGANIZATION ALSO PROVIDES SCHOLARSHIPS TO MEDICAL STUDENTS AND OTHER STUDENTS IN THE COMMUNITY SCHOLARSHIPS ARE GIVEN TO SCHOOLS TO HELP MONITOR THE USE OF THE FUNDS
SCHEDULE I, PART III		EDUCATIONAL SCHOLARSHIPS ARE BASED ON APPLICATIONS AND NUMBER BETWEEN FOUR AND SIX DURING THE YEAR BASED ON FUNDS AVAILABLE AND QUALITY OF APPLICATIONS MEDICAL SCHOLARSHIPS ARE LIMITED TO 4 AT THE SAME TIME SO THAT EACH SCHOOL YEAR THERE IS ONE IN EACH CLASS YEAR

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0224598
Name: AVERA ST LUKE'S

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
NORTHERN STATE UNIVERSITY FOUNDATION 620 15TH AVE SE ABERDEEN,SD 57401	23-7002314	501(C)(3)	171,675				GENERAL SUPPORT
ABERDEEN RIDE LINE205 N 4TH STREET ABERDEEN,SD 57401	46-6000010	CITY OF ABERDEEN	11,880				GENERAL SUPPORT

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
ABSOLUTELY ABERDEEN 416 PRODUCTION STREET NORTH ABERDEEN,SD 57401	52-2424588	501(C)(6)	10,000				GENERAL SUPPORT
PRESENTATION COLLEGE 1500 N MAIN ABERDEEN,SD 57401	52-2424588	501(C)(3)	167,250				GENERAL SUPPORT

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
ABERDEEN CHAMBER OF COMMERCE516 S MAIN ST ABERDEEN,SD 57401	46-0103710	501(C)(6)	6,577				GENERAL SUPPORT
BETHESDA HOME OF ABERDEEN1224 S HIGH ST ABERDEEN,SD 57401	46-0367117	501(C)(3)	10,000				GENERAL SUPPORT

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
ABERDEEN CATHOLIC SCHOOL SYSTEM1400 N DAKOTA ST ABERDEEN,SD 57401	46-0336005	501(C)(3)	154,975				GENERAL SUPPORT
UNIVERSITY OF SOUTH DAKOTA FOUNDATION 1110 N DAKOTA VERMILLION,SD 57069	46-6018891	501(C)(3)	24,000				GENERAL SUPPORT

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

(a) Name and address of organization or government	**(b)** EIN	**(c)** IRC Code section if applicable	**(d)** Amount of cash grant	**(e)** Amount of non-cash assistance	**(f)** Method of valuation (book, FMV, appraisal, other)	**(g)** Description of non-cash assistance	**(h)** Purpose of grant or assistance
BOYS & GIRLS CLUB OF ABERDEEN SD INC1111 SE 1ST AVE ABERDEEN,SD 57401	23-7062273	501(C)(3)	5,265				GENERAL SUPPORT
AVERA HEALTH3900 WEST AVERA DR STE 300 SIOUX FALLS,SD 57108	46-0422673	501(C)(3)	28,685				GENERAL SUPPORT

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST LUKE'S

Employer identification number
46-0224598

Part I Questions Regarding Compensation

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

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART I LINE 3 THE PRESIDENT/CEO'S COMPENSATION IS PAID BY A RELATED ORGANIZATION, AVERA HEALTH AVERA ST LUKE'S RELIED ON THE RELATED ORGANIZATION FOR DETERMINING THE COMPENSATION FOR THE PRESIDENT/CEO USING THE METHODS DESCRIBED IN PART I, LINE 3

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0224598
Name: AVERA ST LUKE'S

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				
TAGE BORN MD	(I)	762,289	12,685	107,680	20,000	23,406	926,060	0
	(II)	0	0	0	0	0	0	0
STEPHEN PETERS MD	(I)	467,018	0	7,835	20,000	20,183	515,036	0
	(II)	0	0	0	0	0	0	0
ALEX FALK MD	(I)	333,432	7,500	0	0	7,786	348,718	0
	(II)	0	0	0	0	0	0	0
SHAHID CHAUDHARY MD	(I)	872,503	50,000	107,230	20,000	22,776	1,072,509	0
	(II)	0	0	0	0	0	0	0
TODD FORKEL	(I)	0	0	0	0	0	0	0
	(II)	355,280	0	73,042	0	18,580	446,902	0
GEOFFREY DURST	(I)	210,520	0	1,983	5,077	24,434	242,014	0
	(II)	0	0	0	0	0	0	0
KC DEBOER	(I)	225,384	0	9,654	19,588	24,775	279,401	0
	(II)	0	0	0	0	0	0	0
JOHN FRITZ MD	(I)	313,889	0	4,604	7,398	21,230	347,121	0
	(II)	0	0	0	0	0	0	0
LEE KARELS	(I)	156,168	0	329	12,794	20,774	190,065	0
	(II)	0	0	0	0	0	0	0
FAROOK KIDWAI MD	(I)	834,790	0	10,692	20,000	20,158	885,640	0
	(II)	0	0	0	0	0	0	0
CHRISTINE STEHLY MD	(I)	734,353	0	108,902	20,000	22,034	885,289	0
	(II)	0	0	0	0	0	0	0
GREGG CARLSON MD	(I)	674,116	18,382	111,468	20,000	26,495	850,461	0
	(II)	0	0	0	0	0	0	0
SCOTT BERRY MD	(I)	612,272	0	110,704	20,000	22,214	765,190	0
	(II)	0	0	0	0	0	0	0
LESLIE LENTER MD	(I)	737,996	0	50,471	19,480	19,548	827,495	0
	(II)	0	0	0	0	0	0	0
RON JACOBSON	(I)	0	0	0	0	0	0	0
	(II)	136,783	0	0	0	0	136,783	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, 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 ST LUKE'S

Employer identification number
46-0224598

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? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) LESLIE LENTER MD	PHYSICIAN	COMMUNITY SERVICE		X	115,000	56,134		No	Yes		Yes	
Total			▶ $			56,134						

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

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 ST LUKE'S

Employer identification number
46-0224598

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

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

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

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED BY THE CEO AND CFO AFTER INITIAL REVIEWS, A DRAFT IS PROVIDED TO THE FINANCE COMMITTEE FOR FINAL REVIEW THE RETURN IS PROVIDED TO THE BOARD 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
	FORM 990, PART VI, SECTION B, LINE 15B	THE CEO IS COMPENSATED BY AVERA HEALTH ANNUALLY THE COMPENSATION COMMITTEE OF AVERA HEALTH, WHICH IS COMPRISED OF SIX (6) SYSTEM MEMBERS APPOINTED BY THE RELIGIOUS ORDERS, MEETS WITH AN INDEPENDENT CONSULTANT REGARDING FAIR MARKET VALUE OF OFFICERS AND KEY EMPLOYEES THE COMPENSATION COMMITTEE APPROVES ALL SALARIES BASED ON COMPARABLE DATA AND DOCUMENTS THE BASIS FOR THEIR DECISION IN MEETING MINUTES THE ORGANIZATION HAS A PHYSICIAN RELATIONS/EXECUTIVE COMPENSATION COMMITTEE TO REVIEW PHYSICIAN RELATED TRANSACTIONS AND COMPENSATION RELATED TO PHYSICIANS, OTHER OFFICERS AND KEY EMPLOYEES OF THE ORGANIZATION THE COMMITTEE MEETS AS NEEDED WITH RESPECT TO PHYSICIAN COMPENSATION WITH RESPECT TO LEADERSHIP POSITIONS WE CONTRACT WITH AN OUTSIDE CONSULTANT TO GATHER WAGE AND MARKET DATA INFORMATION IS PROVIDED TO THE CONSULTANT FOR LEADERSHIP POSITIONS THAT REFLECTS THE LEADER'S AREA OF RESPONSIBILITIES INCLUDING THE POSITION TITLE AND EDUCATION REQUIREMENTS, REPORTING STRUCTURE, NUMBER OF FTE'S, TOTAL REVENUE AND EXPENSES AND YEARS OF EXPERIENCE ON JANUARY 12, 2012, THE COMMITTEE REVIEWED LEADERSHIP RECOMMENDATIONS AND APPROVED THOSE RECOMMENDATIONS SUBJECT TO BOARD APPROVAL THE BOARD OF DIRECTORS APPROVED THE RECOMMENDATIONS AT THEIR FEBRUARY 2, 2012 MEETING

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

Identifier	Return Reference	Explanation
OTHER FEES	FORM 990, PART IX, LINE 11G	REPAIRS AND MAINTENANCE PROGRAM SERVICE EXPENSES 2,502,328 MANAGEMENT AND GENERAL EXPENSES 106,955 FUNDRAISING EXPENSES 23,960 TOTAL EXPENSES 2,633,243 OTHER FEES PROGRAM SERVICE EXPENSES 5,157,459 MANAGEMENT AND GENERAL EXPENSES 3,439,949 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 8,597,408 ACS FEES PROGRAM SERVICE EXPENSES 88,863 MANAGEMENT AND GENERAL EXPENSES 6,045,144 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 6,134,007

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	CAPITAL TRANSFER -2,712,853 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP 721,050 BOOK/TAX ADJUSTMENT ON INVESTMENT IN ENDOSCOPY LLC -317,330 LOSS FOR RETIREMENT OF DEBT -852,766

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 ST LUKE'S

Identifier	Return Reference	Explanation
	FORM 990, PART VI, LINE 16B	THERE IS NO WRITTEN POLICY OR PROCEDURE SINCE 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 ST MARY'S, AVERA SACRED HEART, AND AVERA MARSHALL IN ACCORDANCE WITH IRS INSTRUCTIONS, INFORMATION RELATED TO THE TAX EXEMPT BOND REPORTING IS BEING REPORTED ON AVERA HEALTH'S TAX RETURN

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST LUKE'S

Employer identification number
46-0224598

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	(g) 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) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
See Additional Data Table												

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" 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	(i) 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 ADMINISTRATION	SD	N/A	C					No
(3) AVERA PROPERTY INSURANCE INC 610 W 23RD ST STE 1 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.)

		Yes	No
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 orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p	Yes	
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s	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) SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC	L	454,774	ACTUAL PAYMENTS
(2) SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC	S	995,000	FINANCIAL STATEMENTS
(3) SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC	A	85,329	ACTUAL PAYMENTS

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

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

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under section 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Software ID:
Software Version:
EIN: 46-0224598
Name: AVERA ST LUKE'S

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) Disproprtionate allocations? No	(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner? Yes	(j) General or Managing Partner? No	(k) Percentage ownership
SURGICAL ASSOCIATES ENDOSCOPY CENTER LLC 310 S PENN ABERDEEN, SD 57401 46-0461429	SURGICAL ASSOCIATES/ENDOSCOPY SERVICES	SD	AVERA ST LUKE'S	RELATED	864,507	180,025		No		Yes		51 000 %
AVERA HOME MEDICAL EQUIPMENT LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 46-0488198	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
MRIS LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 47-0874983	HEALTH CARE SERVICES INCLUDING AIRCRAFT	SD	N/A									
HOME MEDICAL EQUIPMENT OF PIERRE LLC 329 E DAKOTA PIERRE, SD 57501 46-0444002	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF FLOYD VALLEY HOSPITAL LLC 714 LINCOLN ST NE LEMARS, IA 51031 82-0582350	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF ESTHERVILLE LLC 602 CENTRAL AVE ESTHERVILLE, IA 51334 20-1686097	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SIOUX CENTER LLC 38 19TH ST SW SIOUX CENTER, IA 51250 75-3203100	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF MARSHALL LLC 1104 EAST COLLEGE DRIVE MARSHALL, MN 56258 20-5271924	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SPENCER HOSPITAL LLC 2400 S MINNESOTA AVE SIOUX FALLS, SD 57117 80-0619999	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
Q&M PROPERTIES LLC 525 NORTH FOSTER MITCHELL, SD 57301 73-1652049	MEDICAL CLINIC BUILDING	SD	N/A									
HEART HOSPITAL OF SOUTH DAKOTA LLC 10720 SIKES PLACE SUITE 300 CHARLOTTE, NC 28277 56-2143771	HEALTHCARE SERVICES	NC	N/A									

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Consolidated Financial Statements
June 30, 2013 and 2012

Avera St. Luke's

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Avera St Luke's
Aberdeen, South Dakota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Avera St Luke's and subsidiary (the "Organization"), 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 Consolidated 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 entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Avera St Luke's and subsidiary as of June 30, 2013 and 2012, and the consolidated results of its 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

Eide Bailly LLP

Fargo, North Dakota
October 21, 2013

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	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 5,989,884	$ 7,837,515
Custodial funds held by related party	-	2,010,926
Receivables		
Patient and resident, net	20,281,437	22,970,157
Other, net	1,823,388	1,677,324
Supplies	2,926,468	2,350,447
Prepaid expenses	1,890,027	1,949,812
Total current assets	32,911,204	38,796,181
Assets Limited as to Use		
By Board for capital improvements and debt redemption	63,344,399	69,169,577
Interest in net assets of Avera Health Foundation	2,999,070	2,606,904
Total noncurrent assets limited as to use	66,343,469	71,776,481
Property and Equipment, Net	73,606,960	78,233,235
Other Assets		
Real estate held for future use	2,692,674	2,052,537
Intangible assets, net	1,540,215	1,869,023
Goodwill	5,723,865	1,684,333
Deferred expenses	747,120	810,298
Total other assets	10,703,874	6,416,191
Total assets	$ 183,565,507	$ 195,222,088

See Notes to Consolidated Financial Statements

	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 931,155	$ 83,950
Accounts payable	5,665,534	6,461,522
Estimated third-party payor settlements	1,066,274	2,845,000
Accrued salaries, benefits, and withholdings	7,980,463	7,695,325
Accrued interest	102,384	144,876
Total current liabilities	15,745,810	17,230,673
Long-Term Debt, Less Current Maturities	41,256,127	43,033,273
Derivative Liability	1,547,338	2,268,388
Total liabilities	58,549,275	62,532,334
Net Assets		
Unrestricted	122,100,743	129,860,001
Noncontrolling interest	413,832	600,511
Total unrestricted net assets	122,514,575	130,460,512
Temporarily restricted	1,974,002	1,702,233
Permanently restricted	527,655	527,009
Total net assets	125,016,232	132,689,754
Total liabilities and net assets	$ 183,565,507	$ 195,222,088

	2013	2012
Unrestricted Revenue, Gains, and Other Support		
Net patient and resident service revenue	$ 158,293,936	$ 164,820,338
Provision for bad debts	(6,159,905)	(6,162,341)
Net patient and resident service revenue less provision for bad debts	152,134,031	158,657,997
Other revenue	5,752,770	3,109,777
Total unrestricted revenue, gains, and other support	157,886,801	161,767,774
Expenses		
Salaries and wages	78,489,559	78,876,308
Employee benefits	19,833,684	19,675,679
Professional fees	4,647,387	3,689,830
Purchased services	7,354,288	7,075,080
Supplies	24,371,015	19,969,218
Repairs and maintenance	2,672,870	2,578,497
Other expenses	15,491,081	14,020,902
Insurance	1,671,340	1,536,085
Utilities and telephone	1,882,837	1,922,982
Interest	1,252,520	1,481,921
Depreciation and amortization	7,877,065	7,914,597
Total expenses	165,543,646	158,741,099
Operating (Loss) Income	(7,656,845)	3,026,675
Other Income (Loss)		
Investment income (loss)	4,678,851	(783,933)
Change in fair value of interest rate swaps	721,050	(953,152)
Reclassification of accumulated losses on interest rate swaps	(70,867)	(70,867)
Change in interest in net assets of Avera Health Foundation	70,569	480,334
Rental property, net	(813,017)	(496,385)
Impairment loss on real estate held for future use	(852,766)	-
Loss on disposal of assets	(194,930)	(143,197)
Loss on extinguishment of long-term debt	-	(773,486)
Other income (loss), net	3,538,890	(2,740,686)
Revenues (Less Than) in Excess of Expenses	(4,117,955)	285,989
Distributions and other changes to noncontrolling interest	(1,185,996)	(714,467)
Reclassification of Accumulated Losses on Interest Rate Swaps	70,867	70,867
Equity Transfers	(2,712,853)	890,584
(Decrease) Increase in Unrestricted Net Assets	$ (7,945,937)	$ 532,973

	2013	2012
Unrestricted Net Assets		
Revenues (less than) in excess of expenses	$ (4,117,955)	$ 285,989
Reclassification of accumulated losses on interest rate swaps	70,867	70,867
Distributions and other changes to noncontrolling interest	(1,185,996)	(714,467)
Equity transfers	(2,712,853)	890,584
(Decrease) increase in unrestricted net assets	(7,945,937)	532,973
Temporarily Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	271,769	(364,583)
Permanently Restricted Net Assets		
Investment income	46	42
Change in interest in net assets of Avera Health Foundation	600	790
Increase in permanently restricted net assets	646	832
(Decrease) Increase in Net Assets	(7,673,522)	169,222
Net Assets, Beginning of Year	132,689,754	132,520,532
Net Assets, End of Year	$ 125,016,232	$ 132,689,754

	2013	2012
Operating Activities		
Change in net assets	$ (7,673,522)	$ 169,222
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	8,542,912	8,347,576
Loss on disposal and impairment of assets	1,047,696	143,197
Net realized and unrealized gains and losses on investments	(4,674,822)	788,860
Loss on extinguishment of long-term debt	-	567,022
Change in fair value of interest rate swaps	(721,050)	953,152
Change in interest in net assets of Avera Health Foundation	(392,166)	69,403
Equity transfers	2,712,853	(890,584)
Restricted contributions and investment gains and losses	(272,415)	363,751
Change in assets and liabilities		
Receivables	4,017,298	(200,177)
Supplies	(87,589)	50,571
Prepaid expenses	122,963	395,466
Accounts payable	(550,153)	1,097,626
Estimated third-party payor settlements	(1,778,726)	(25,000)
Accrued expenses	242,646	(2,730,158)
Net Cash from Operating Activities	535,925	9,099,927
Investing Activities		
Property and equipment additions and replacements	(5,182,738)	(10,272,168)
Proceeds from disposal of assets	-	158,326
Purchase of assets limited as to use	-	(6,938,277)
Proceeds from sales and maturities of assets limited as to use	10,500,000	12,558,809
Purchase of real estate held for future use	-	(68,599)
Cash paid for acquisition of clinic practices	(6,688,486)	(1,717,693)
Decrease in other assets	347,121	108,842
Net Cash used for Investing Activities	(1,024,103)	(6,170,760)
Financing Activities		
Repayment of long-term debt	(929,941)	(47,588,507)
Proceeds from issuance of long-term debt	-	43,117,223
Equity transfers	(2,712,853)	890,584
Restricted contributions and investment gains and losses	272,415	(363,751)
Decrease (increase) in custodial funds held by related party	2,010,926	(2,010,926)
Net Cash used for Financing Activities	(1,359,453)	(5,955,377)
Net Decrease in Cash and Cash Equivalents	(1,847,631)	(3,026,210)
Cash and Cash Equivalents, Beginning of Year	7,837,515	10,863,725
Cash and Cash Equivalents, End of Year	$ 5,989,884	$ 7,837,515

	2013	2012
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,295,012	$ 1,833,198
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable - construction in progress	$ -	$ 245,835
Acquisition of clinic practices		
Patient receivables	$ 1,474,642	$ 894,358
Supplies	488,432	-
Equipment	238,000	-
Other intangible assets	119,412	574,835
Goodwill	4,368,000	248,500
Net cash paid	$ 6,688,486	$ 1,717,693

Note 1 - Organization and Significant Accounting Policies

Organization

Avera St Luke's ("Organization") operates a 133-bed acute care hospital and an 81-bed nursing home in Aberdeen, South Dakota, a 56-bed nursing home in Eureka, South Dakota, and physician clinics within its service area The Organization 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 Organization operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established for Avera Health, the sole member of the Organization and a sponsored ministry of the Benedictine and Presentation Sisters

Consolidation

The consolidated financial statements for the years ended June 30, 2013 and 2012, include the accounts of Avera St Luke's and Surgical Associates Endoscopy, LLC ("Subsidiary"), of which Avera St Luke's owns a 51% interest Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements

Use of Estimates

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

Cash and Cash Equivalents

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

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations Unpaid patient and resident receivables, excluding amounts due from third-party payors, with invoice dates over 90 days old for patient receivables and 60 days old for resident receivables, have interest assessed at one percent per month Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for 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 Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible The difference between the standard rates (or the discounted rates) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts

The Organization's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2012 to June 30, 2013 The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Organization has not significantly changed its charity care or uninsured discount policies during fiscal years 2013 or 2012 Patient and resident receivables are shown net of estimated uncollectibles, charity care, and other allowances of approximately $25,638,000 and $27,468,000 as of June 30, 2013 and 2012, respectively

Physician and Employee Receivables

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

As of June 30, 2013 and 2012, the Organization had net notes receivable from physicians and employees of $1,186,321 and $1,493,511 As of June 30, 2013 and 2012, the Organization had allowances on notes receivable from physicians and employees of approximately $185,000 and $185,000 As notes receivable from physicians and employees are expected to be forgiven they are included in prepaid expenses on the consolidated balance sheets

Supplies

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

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes and funds held by the Avera Health Foundation Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets

Interest in Net Assets of Avera Health Foundation

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

Investments and Investment Income

Investments with readily determinable market values are stated at fair value The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825 ASC 825 permits entities to choose to measure many financial instruments and certain other items at fair value All 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 (less than) in excess of expenses unless the income or loss is restricted by donor or law Investment income on is recorded as non-operating revenue in the consolidated statement of operations

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

Fair Value Measurements

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

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

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

Property and Equipment

Property and equipment acquisitions in excess of $2,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	3-15 years
Buildings and improvements	5-40 years
Equipment	5-20 years

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

Real Estate Held for Future Use

Real estate held for future use consists of rental property and real estate adjacent to the hospital campus and other property that is being held in the event that additional property is needed for future expansion of the hospital campus. Certain properties are rented to tenants. Rental income and related expenses on the rental properties are recorded as non-operating in the consolidated financial statements.

Impairment of Long-lived Assets

The Organization considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. The amount of impairment, if any, is measured based upon the excess of the carrying value over the fair value. The Organization recognized an impairment relating to real estate held for future use of $401,804 for the year end June 30, 2013. There was no impairment loss recognized for the year ended June 30, 2012.

Goodwill and Intangible Assets

Goodwill and intangible assets consist of patient records, non-compete agreements, and goodwill associated with business combinations. Goodwill represents the excess of cost over the fair value of the net assets acquired from business acquisitions.

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

The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value The fair value of the reporting unit is estimated using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit The discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of respective reporting unit The Organization performs its test for recoverability for goodwill at the same time each year, unless circumstances require additional analysis There have been no impairment charges resulting from this review for the years ended June 30, 2013 and 2012

Income Taxes

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

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred The Organization`s federal Form 990T filings are no longer subject to federal tax examinations by tax authorities for years before 2010

The Subsidiary is treated as a partnership for federal income tax purposes No provision for income taxes has been provided since the members include the Subsidiary`s earnings in their tax returns The Subsidiary believes that it does not have any uncertain tax positions that are material to the consolidated financial statements

Market Risk

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

Temporarily and Permanently Restricted Net Assets

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

Net Patient and Resident Service Revenue

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

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on basis of discounted rates, if negotiated or provided by policy On the basis of historical experience, a significant portion of the Organization's uninsured patients and residents will be unable or unwilling to pay for the services provided Thus, the Organization records a significant provision for bad debts related to uninsured patients and residents in the period the services are provided Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2013 and 2012 from these major payor sources, is as follows

	2013	2012
Net patient and resident service revenue		
Third-party payors	$ 151,933,688	$ 159,453,968
Self-pay	6,360,248	5,366,370
Total all payors	$ 158,293,936	$ 164,820,338

Charity Care

The Organization provides health care services to patients who meet certain criteria under its Charity Care Policy without charge or at amounts less that established rates Since the Organization does not pursue collection of these amounts, they are not reported as patient service revenue The amount of charges foregone for services provided under the Organization's charity care policy were approximately $4,520,000 and $4,710,000 for the years ended June 30, 2013 and 2012 The estimated cost of providing these services was $2,325,000 and $2,334,000 for the years ended June 30, 2013 and 2012, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients

Advertising Costs

The Organization expenses advertising costs as incurred Advertising costs were approximately $558,000 and $676,000 for the years ended June 30, 2013 and 2012, respectively

Revenues (Less Than) in Excess of Expenses

Revenues (less than) in excess of expenses excludes reclassifications of accumulated losses on interest rate swaps, contributions of long-lived assets, including assets acquired using contributions which were restricted by donors, and transfers of assets to and from related parties for other than goods and services

Donor-Restricted Gifts

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

Electronic Health Record (EHR) Inventive Payments

The American Recovery and Reinvestment Act of 2009 ("ARRA") established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology The Medicare incentive payments are paid out to qualifying hospitals over four consecutive years on a transitional schedule To qualify for Medicare incentives, hospitals and physicians must meet EHR "meaningful use" criteria that become more stringent over three stages as determined by the Centers for Medicare & Medicaid Services (CMS)

Medicaid programs and payment schedules vary from state to state The Medicaid program in South Dakota requires eligible hospitals to register for the program prior to 2016, to engage in efforts to adopt, implement or upgrade certified EHR technology in order to qualify for the initial year of participation, and to demonstrate meaningful use of certified EHR technology in order to qualify for additional years of payments The payment schedule is based on a formula of the overall EHR amount times the Medicaid share and is paid 40% in the first and second years and at 20% in the last year of participation based on a Federal Fiscal Year For South Dakota, Hospitals cannot initiate payments after 2016 and payment years must be consecutive after 2016 through 2021

For eligible professionals, EHR incentive payments are based on a standard amount per professional Professionals that are eligible to participate in the Medicare EHR incentive program can be paid up to $44,000 over a 4 year period and professionals that are eligible to participate in the Medicaid program are eligible to receive up to $63,750 over a 6 year period Eligible professional are only allowed to participate in either the Medicaid or Medicare programs, not both

During the year ended June 30, 2013 and 2012, the Organization recorded $2,195,000 and $-0- related to the Medicare program and $350,000 and $-0- related to Medicaid programs in other operating revenue for meaningful use incentives These incentives have been recognized when management becomes reasonably assured of meeting the required criteria

Amounts recognized represent management's best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data Subsequent changes to these estimates will be recognized in other operating revenue in the period in which additional information is available Such estimates are subject to audit by the federal government or its designee

Note 2 - Loan Guarantees

The Organization is a member of the Avera Health Obligated Group (Obligated Group) and is a party to a Master Trust Indenture that results in the Organization being jointly and severally obligated for various debt issues of the Obligated Group The Obligated Group is comprised of Avera Health and 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) Avera St Luke's 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

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

	2013	2012
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 installments through initial tender date of May 1, 2017 with a stated maturity of July 1, 2033	61,495,000	61,495,000
South Dakota Health and Educational Facilities Authority Series 2012A Revenue Bonds, fixed interest rates ranging from 3 00% to 5 00%, due in varying semi-annual interest payments and annual principal payments to July 1, 2042, 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
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, to 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	-
	$ 350,430,939	$ 332,052,351

Note 3 - Net Patient and Resident Service Revenue

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

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit These rates varied according to a patient classification system based on clinical, diagnostic, and other factors The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009

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 fee schedule reimbursement methodology based on historical costs, but not subject to retroactive settlement

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

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

Clinics The Organization is reimbursed for most services provided in its clinics under the respective payer's fee schedules Clinic services provided to Medicare beneficiaries that are licensed as rural health clinics are reimbursed at cost, while clinics recognized as provider-based clinics by Medicare receive a technical (hospital) and professional payment from Medicare

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

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 4% of the Organization's net patient service revenue for the year ended June 30, 2013 and 36% and 5% for the year ended June 30, 2012 Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation As a result, there is an ongoing level of uncertainty relative to the estimated liability for prior period cost reports There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term The net patient and resident service revenue for the years ended June 30, 2013 increased approximately $1,330,000 due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations

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

	2013	2012
Total patient and resident service revenue	$ 307,684,860	$ 309,917,745
Contractual adjustments		
Medicare	(85,283,182)	(83,638,062)
Medicaid	(14,908,506)	(14,256,731)
Blue Cross	(16,446,753)	(15,499,009)
Other	(32,752,483)	(31,703,605)
Total contractual adjustments	(149,390,924)	(145,097,407)
Net patient and resident service revenue	158,293,936	164,820,338
Provision for bad debts	(6,159,905)	(6,162,341)
Net patient and resident service revenue less provision for bad debts	$ 152,134,031	$ 158,657,997

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2013 and 2012, is set forth in the following table

	2013	2012
By Board for capital improvements and debt redemption		
Cash and cash equivalents	$ 37,324	$ 37,278
Interest in Pooled Investment Fund *	63,303,732	69,128,956
Other	3,343	3,343
	$ 63,344,399	$ 69,169,577
Interest in net assets of Avera Health Foundation		
Interest in Pooled Investment Fund *	$ 2,999,070	$ 2,606,904

Pooled Investment Fund *

The Organization is a participant in the Avera Pooled Investment Fund, a fund administered by Avera Health that is maintained for the benefit of facilities that are sponsored, operated, or managed by Avera Health Investments are made in conformity with the objectives and guidelines of the Avera Health Pooled Investment Committee Within the fund, facilities share in a pool of investments that are managed by various fund managers Asset valuation and income and losses of the fund are allocated to participating members based upon their pro rata share of the investments Substantially all pooled investment holdings are recorded at fair value, with the exception of certain alternative investments

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

	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%
Cash and short-term investments	5 6%	11 9%
Foreign equities	5 7%	5 9%
Balance mutual funds	4 9%	2 8%
US government issues	4 4%	8 7%
Other fixed income	2 4%	2 4%
	100 0%	100 0%

Investment Income

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

	2013	2012
Other revenue		
Interest income	$ 45,433	$ 23,444
Other income		
Interest income	$ 4,029	$ 4,927
Net realized gains on investments	2,516,170	2,112,429
Change in net unrealized gains and losses on investments	2,158,652	(2,901,289)
	$ 4,678,851	$ (783,933)

Note 5 - Fair Value Measurements

Fair Value of Assets and Liabilities

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

	2013	2012
Interest rate swap agreements liability	$ 1,547,338	$ 2,268,388

The related fair values 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)
June 30, 2013			
Interest rate swap agreements liability	$ -	$ 1,547,338	$ -
June 30, 2012			
Interest rate swap agreements liability	$ -	$ 2,268,388	$ -

The fair value of the interest rate swap agreements is based upon estimates of the related LIBOR swap rates during the term of the swap agreement

Note 6 - Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the consolidated balance sheets, including cash and cash equivalents, net accounts receivable, other assets, accounts payable, accrued liabilities, derivative liabilities, other current and long-term liabilities, and variable rate long-term debt to be reasonable estimates of fair value either due to their length of maturity or the existence of variable interest rates underlying such financial instruments that approximate prevailing market rates at June 30, 2013 and 2012

Note 7 - Property and Equipment

A summary of property and equipment at June 30, 2013 and 2012 follows

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 2,729,697	$ -	$ 3,196,844	$ -
Land improvements	1,991,437	1,648,892	2,728,804	2,372,406
Buildings and improvements	110,659,751	54,760,276	115,670,616	55,942,346
Equipment	50,283,825	35,838,357	75,562,623	62,502,770
Construction in progress	189,775	-	1,891,870	-
	$ 165,854,485	$ 92,247,525	$ 199,050,757	$ 120,817,522
Net property and equipment		$ 73,606,960		$ 78,233,235

Construction in progress at June 30, 2013, represents costs incurred for several building remodeling and equipment acquisition projects The projects will be completed during the year ended June 30, 2014 with an estimated cost of $425,000 These projects are being financed with existing funds of the Organization

Note 8 - Leases

The Organization leases certain equipment and buildings under various operating leases with terms of less than one year or cancelable upon written notice Total lease expense for all operating leases was $2,281,125 and $2,125,921 for the years ended June 30, 2013 and 2012, respectively

Note 9 - Goodwill and Intangible Assets

Changes in the carrying amount of goodwill during the years ended June 30, 2013 and 2012 were as follows

	2013	2012
Balance, beginning of year	$ 1,684,333	$ 1,441,720
Goodwill acquired	4,368,000	248,500
Other adjustments	(328,468)	(5,887)
Balance, end of year	$ 5,723,865	$ 1,684,333

Intangible assets as of June 30, 2013 and 2012 consist of the following

	Cost	Accumulated Amortization	Net
Balance, June 30, 2013			
Noncompete agreements	$ 1,973,212	$ (1,143,647)	$ 829,565
Patient records	851,919	(141,269)	710,650
	$ 2,825,131	$ (1,284,916)	$ 1,540,215
Balance, June 30, 2012			
Noncompete agreements	$ 1,908,212	$ (755,684)	$ 1,152,528
Patient records	815,919	(99,424)	716,495
	$ 2,724,131	$ (855,108)	$ 1,869,023

Amortization expense for the years ended June 30, 2013 and 2012 was $429,567 and $381,794 respectively
Estimated future amortization expense is as follows

Years Ending June 30,	
2014	$ 422,975
2015	262,975
2016	174,736
2017	81,846
2018	42,596
Thereafter	555,087
	$ 1,540,215

Note 10 - Long-Term Debt

Long-term debt consists of

	2013	2012
Related party payables to Avera Health		
Variable Rate Demand Revenue Bonds Payable, Series 2008C	9,010,000	9,010,000
Revenue Bonds, Series 2012A	14,630,902	14,942,533
Revenue Bonds, Series 2012B	18,546,380	19,164,690
	42,187,282	43,117,223
Less current maturities	(931,155)	(83,950)
	$ 41,256,127	$ 43,033,273

Long-term debt maturities are as follows

Years Ending June 30,	
2014	$ 931,155
2015	969,694
2016	1,012,046
2017	1,048,969
2018	1,095,394
Thereafter	37,130,024
	$ 42,187,282

Obligated Group 2012 Refinancing

As described in Note 2, the Organization is a member of the Avera Health Obligated Group (Obligated Group) On May 1, 2012, Avera Health, the sole corporate sponsor of the Organization, and Avera Marshall became members of the Obligated Group and became party to the Master Trust Indenture All members of the Obligated Group are jointly and severally obligated for various debt issues of the Obligated Group

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

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

The financing transactions noted above were recorded by Avera Health, as Obligated Group agent, and sole corporate sponsor of the various members of the Obligated Group Avera McKennan and other Obligated Group members have recorded their allocable share of the par amount of these debt transactions based on their respective underlying proceeds from the various debt issuances The Organization recorded a loss of $773,486 for the year ended June 30, 2012 in connection with the refinancing

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

Note 11 - Interest Rate Swaps

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

Reference	Maturity Date	Notional Amount	Center Pays	Center Receives	Fair Value 2013	Fair Value 2012
Swap A	2028	$ 140,753	3 870%	67% of LIBOR	$ (25,914)	$ (36,393)
Swap B	2033	7,369,600	3 915%	67% of LIBOR	(1,521,424)	(2,231,995)

The Organization entered into Swap A to effectively convert $140,753 of variable rate debt to synthetic fixed rate debt at the rate of 3 870% The Organization entered into Swap B to effectively convert $7,369,600 of variable rate debt into synthetic fixed rate debt at a rate of 3 915%

Effective July 1, 2009, the Organization elected to discontinue the designation of Swap A and Swap B as cash flow hedges The net unrealized loss on the date of hedge accounting discontinuance of $1,183,624 is being prospectively reclassified into revenues (less than) in excess of expenses as future interest payments are made over the remaining term of the swap agreements The aggregate fair value of the swap agreements was recorded as a long-term liability of $1,547,338 and $2,268,388 as of June 30, 2013 and 2012, respectively The change in fair value of $721,049 and $(953,152) for the years ended June 30, 2013 and 2012, respectively, was recorded to revenues (less than) in excess of expenses

The following table summarizes the derivative transactions reflected in the Organization's consolidated balance sheets and statements of operations for the years ended June 30, 2013 and 2012

	2013	2012
Long-term Liability		
Fair value of interest rate swap agreements	$ 1,547,338	$ 2,268,388
Revenues (Less Than) in Excess of Expenses		
Change in fair value of interest rate swaps not designated as hedging instruments	721,050	(953,152)
Reclassification of unrealized loss on interest rate swaps	(70,867)	(70,867)
Interest expense (net outflow of cash)	355,779	281,976
Other Changes in Net Assets		
Reclassification of unrealized loss on interest rate swaps	70,867	70,867

Note 12 - Temporarily and Permanently Restricted Net Assets

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

	2013	2012
Various health care programs and services	$ 1,974,002	$ 1,702,233

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

	2013	2012
Various health care programs and services	$ 330,017	$ 330,017
Loans for healthcare students	197,638	196,992
	$ 527,655	$ 527,009

Note 13 - Endowment

The Organization's endowments consist of a portion of their interest in the net assets of the Avera Health Foundation The Avera Health Foundation includes endowment funds which have been established for a variety of purposes As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions The Organization's permanently restricted endowment funds are donor-restricted and totaled $527,655 and $527,009 at June 30, 2013 and 2012, respectively The Organization's temporarily restricted portion of endowment funds for unappropriated earnings totaled $228,363 and $224,958, respectively

Interpretation of Relevant Law

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

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds

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

Changes in Endowment Net Assets for the years ending June 30, 2013 and 2012 are as follows

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2011	$ -	$ 230,685	$ 526,177	$ 756,862
Investment income	-	-	42	42
Change in interest in net assets of Avera Health Foundation	-	(5,727)	790	(4,937)
Endowment net assets, June 30, 2012	-	224,958	527,009	751,967
Investment income	-	-	46	46
Change in interest in net assets of Avera Health Foundation	-	3,405	600	4,005
Endowment net assets, June 30, 2013	$ -	$ 228,363	$ 527,655	$ 756,018

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration In accordance with GAAP, 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

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Note 14 - Self-Insurance Programs

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

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

The programs include a combination of self-insurance and commercial insurance The expenses of the Organization for contributions to the self-insurance portion of the programs were as follows for the years ended June 30, 2013 and 2012

	2013	2012
Health and dental	$ 9,805,195	$ 9,909,665
Professional and general liability	1,673,896	1,536,085
Workers' compensation	656,289	772,726
	$ 12,135,380	$ 12,218,476

Professional liability and workers' compensation claims have been asserted against the participating facilities and the program by various claimants The claims are in various stages of processing and some may ultimately be brought to trial Counsel is unable to conclude as to the ultimate outcome of the actions There are other known incidents occurring through June 30, 2013, that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past

There are also known health insurance claims that have been submitted subsequent to June 30, 2013, and it is likely there are also other claims that still have not been submitted for services provided prior to June 30, 2013

The insurance programs noted above include additional commercial coverage to protect the Organization from loss While it is possible that the settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the programs have provided, management believes that the excess liability, if any, should not materially affect the consolidated financial position of the Organization at June 30, 2013

Note 15 - Contingencies

Malpractice Insurance

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

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, the Organization 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, 2013 and 2012, 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 Organization

Note 16 - Employee Benefit Plans

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

Defined Benefit Pension Plan – Career Average

Under the Career Average plan, employees in an eligible class who were in service on or after January 1, 1988 became active members on the first day of the month coinciding with or next following the date they met the eligibility requirements of age 21 and one year of service Pension benefits are based on a percentage of the employee's eligible earnings and are payable at retirement under several annuitized payment options During the years ended June 30, 2013 and 2012, Avera St Luke's contributed $2,867,136 and $2,560,605, respectively, to the Career Average plan

Defined Benefit Pension Plan – Cash Balance

Under the Cash Balance plan, employees first employed or reemployed after June 30, 2000 become active members on the first day of the month coinciding with or next following the date they meet the eligibility requirements of age 21 and one year of service Pension benefits are based on a percentage of the employee's eligible earnings and are payable at retirement under several annuitized payment options During the years ended June 30, 2013 and 2012, Avera St Luke's contributed $911,202 and $929,731, respectively, to the Cash Balance plan

Career Average and Cash Balance Accumulated Plan Benefits

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

Pension Plan	EIN	December 31, 2012 Plan Assets	December 31, 2012 Actuarial Present Value of Accumulated Plan Benefits	Year Ended December 31, 2012 Total Plan Contributions
Defined Benefit Pension Plan – Career Average	46-0253283	$ 273,207,887	$ 307,344,913	$ 15,828,144
Defined Benefit Pension Plan – Cash Balance	46-0253283	50,667,291	50,063,531	6,469,595
		$ 323,875,178	$ 357,408,444	$ 22,297,739

The contributions made by Avera St Luke's represented more than 5% of the total contributions made to the Plans during the plan year ended December 31, 2012 As of December 31, 2012, the Plans were more than 90% funded To the extent the Plans may become underfunded, future contributions to the Plans may increase

Defined Contribution Pension Plan

Eligible employees participate in a defined contribution pension plan ("403(b) Plan") Under the 403(b) Plan, participant contributions are matched up to 2% of eligible employee compensation Avera St Luke's recognized total 403(b) Plan contribution costs of $642,512 and $581,682 as part of employee benefits for the years ended June 30, 2013 and 2012

Note 17 - Related Party Transactions

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

	2013	2012
Payments to (from) related organizations recorded by the Center		
Equity transfers	$ 2,712,853	$ (890,584)
Management and other services	6,831,405	5,693,044
Employee benefit programs	9,805,195	9,903,644
Professional and general liability	1,673,896	1,536,085
Workers' compensation insurance programs	656,289	772,726
Balance sheet items		
Prepaid expenses	469,255	264,343
Other receivables	796,978	2,511,602
Custodial funds due from related party	-	2,010,926
Accounts payable	(1,630,475)	(1,064,732)
Interest payable	(102,384)	(144,876)
Long-term debt (including current portion)	(42,187,282)	(43,117,223)

Note 18 - Concentrations of Credit Risk

The Organization grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements The mix of receivables from third-party payors, patients and residents, at June 30, 2013 and 2012, is as follows

	2013	2012
Medicare	35%	35%
Commercial insurance	21%	22%
Other third-party payors, patients and residents	22%	21%
Blue Cross	17%	17%
Medicaid	5%	5%
	100%	100%

The Organization's cash balances are maintained in various bank deposit accounts At various times during the years ended June 30, 2013 and 2012, the balances of these deposits were in excess of federally insured limits

Note 19 - Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	2013	2012
Health care services	$ 138,860,423	$ 131,317,891
General and administrative	26,463,118	27,121,035
Fundraising	220,105	302,173
	$ 165,543,646	$ 158,741,099

Note 20 - Commitments

The Organization has various agreements for the purchase of goods and services that require future annual payments to be made. A summary of outstanding commitments are as follows:

Years Ending June 30,	
2014	$ 275,000
2015	275,000
2016	275,000
2017	225,000
2018	225,000
Thereafter	375,000
	$ 1,650,000

Note 21 - Business Combinations

During the years ended June 30, 2013 and 2012, the Organization acquired various clinic practices. Accordingly, the results of the clinic operations have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date.

The acquisitions included the operations, patient receivables, supplies, equipment, intangible assets and goodwill. The value of these items is based on the fair market value as of the date of acquisition.

The total purchase price was allocated to the acquired assets as of the purchase date as follows:

	2013	2012
Acquisition of clinic practices' assets		
Patient receivables	$ 1,474,642	$ 894,358
Supplies	488,432	-
Equipment	238,000	-
Other intangible assets	119,412	574,835
Goodwill	4,368,000	248,500
Cash paid	$ 6,688,486	$ 1,717,693

Note 22 - Subsequent Events

The Organization has evaluated subsequent events through October 21, 2013, the date which the consolidated financial statements were available to be issued. During the period, the Organization did not have any material recognizable subsequent events.