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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 McKennan

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
1325 S Cliff Ave PO Box 5045

City or town, state or country, and ZIP + 4
Sioux Falls, SD 571175045

D Employer identification number
46-0224743

E Telephone number
(605) 322-8000

G Gross receipts $ 759,202,729

F Name and address of principal officer
Dr David Kapaska
1325 S Cliff Ave PO Box 5045
Sioux Falls, SD 571175045

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 averamckennan org

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

L Year of formation 1911

M State of legal domicile SD

Part I Summary

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

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

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	20
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	6,976
6	Total number of volunteers (estimate if necessary)	**6**	1,248
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	5,825,791
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	1,344,777

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	2,006,604	3,708,700
9	Program service revenue (Part VIII, line 2g)	710,238,566	747,902,697
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5,478,842	4,006,242
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,681,944	1,900,322
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	719,405,956	757,517,961
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	3,588,944	3,822,676
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)	371,268,910	402,340,146
16a	Professional fundraising fees (Part IX, column (A), line 11e)	67,066	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶730,517		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	307,380,219	326,008,484
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	682,305,139	732,171,306
19	Revenue less expenses Subtract line 18 from line 12	37,100,817	25,346,655

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	800,980,977	827,983,677
21	Total liabilities (Part X, line 26)	348,719,013	342,106,191
22	Net assets or fund balances Subtract line 21 from line 20	452,261,964	485,877,486

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

****** 2014-05-14
Signature of officer Date

Julie Norton Sec/Treas & Sr VP 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		2014-05-14		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 McKennan, as part of 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 $ 356,418,601 including grants of $ 3,666,920) (Revenue $ 495,520,730)

Avera McKennan Hospital & University Health CenterAvera McKennan promotes the health of the community by providing a variety of charitable health care services Avera McKennan operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established for Avera Health, a sponsored ministry of the Benedictine and Presentation Sisters Major service lines include oncology, surgery, obstetrics, pediatrics, neonatology, emergency and trauma, critical care including eICU, radiology and diagnostic imaging, psychiatry, pulmonary, orthopedics, neurology, cardiology and gastroenterology Transplant services include solid organ (kidney and pancreas) and bone marrow transplant The following are specific exempt purpose achievements for Avera McKennan Hospital Charity and uncompensated care Avera McKennan provides necessary medical services (diagnostic and treatment) for whomever comes to us for care, regardless of their ability to pay In fiscal year 2013, services provided to those who are unable to pay totaled $33,879,000 Eligibility for discounted or free services under the charity care policy is based on income levels Generally, individuals earning income of up to 400% of the Federal Policy Income Guidelines are eligible for varying levels of discounts, including full discounts for certain income levels Application for coverage under the program may be obtained at any Avera McKennan patient registration area or by calling Avera McKennan Patient Financial Services Avera McKennan helps patients apply for any applicable government insurance programs, and offers health care services on a discounted or charitable basis to those who are uninsured or underinsured Charity care is not capped by a budget figure unreimbursed expenses are covered by the organization as needed, not until a budget figure is met In addition to charity care, in the past fiscal year Avera McKennan provided $186,876 in lodging, transportation and prescriptions to those in need Accessibility to health care Avera McKennan makes medical care accessible to the entire community it serves In 2013 Avera McKennan had 20,390 hospital discharges, 105,801 patient days and 230,224 outpatient visits Avera McKennan is a verified Level II trauma center and was the first such Center in the State of South Dakota Avera McKennan's Emergency Department is staffed 24 hours a day with board-certified emergency specialists and provides emergency care regardless of ability to pay Avera McKennan had 26,861 Emergency Department visits in FY 2013 Operating both Fixed Wing and Helicopter medical air transports, Avera McKennan's flight teams cover a large geographic area providing state-of-the-art air transport services and access to critical care, with 1,293 flights in the past year Health Care Clinic In 1992, Avera McKennan established a Health Care Clinic to provide free care for people who are uninsured or underinsured in the community The clinic is managed by a Registered Nurse and staffed by Registered Nurses, two midlevel providers, medical residents and volunteer health care providers The goal of the clinic is to prevent or treat patients' medical conditions before they become catastrophic The clinic averages 560 visits per month, providing preventative care, diagnosis and treatment of illnesses and injuries, medication assistance and assistance in obtaining specialist care for patients with complex cases The clinic also serves to train physicians, nurses and other health care students It provides a free evening clinic one evening per month, staffed by medical students under supervision of physicians Avera McKennan is the only health care organization to provide free services such as this in the state of South Dakota The clinic had 6,724 visits in 2013, and was operated at an annual cost of $733,620 Avera McKennan partners with the not-for-profit Destiny Clinic by providing funding of $13,000 per year to provide free evening clinic services Partnership in Live Well Sioux Falls The City of Sioux Falls received a Community Health Transformation Grant from the South Dakota Department of Health, sparking a project to improve the health and well-being of the citizens of Sioux Falls Guided by the City of Sioux Falls Health Department, this ongoing project is known as Live Well Sioux Falls It involves more than 24 community partner organizations Among these partners are Avera McKennan and the other major health care system in Sioux Falls, Sanford Health Avera plans to work in partnership with the City of Sioux Falls and Sanford Health to address the priorities of Live Well Sioux Falls, and arrive at solutions which are collaborative in nature Avera McKennan collaborates with Live Well Sioux Falls to promote the Big Squeeze, a hypertension initiative in April to promote blood pressure screening and education, with the goal of diagnosing high blood pressure One in three American adults have high blood pressure, but only half of them have it under control, adding to the risk of stroke, heart attack and vascular disease Residency/Health Professions Training and Internships In 2013, Avera McKennan had 84 medical school residents in training at Avera McKennan in Internal Medicine, Family Practice, Psychiatry, Geriatrics and Transitional Residency Programs offered in partnership with the University of South Dakota School of Medicine Over 800 students in nursing, pharmacy, physician assistant programs, radiology and respiratory therapy also completed rotations at Avera McKennan Avera McKennan has many joint agreements with institutions of higher education for both clinical and educational programming In non-clinical areas, Avera McKennan offered 29 internships in 2013 in the areas of marketing, human resources, finance, foundation, and network operations, working with approximately 16 institutions of higher education Patient and Community Education Avera McKennan is a regional leader in offering educational programs for a variety of learners, leaders and employees Utilizing advanced technology, many of these programs are provided electronically throughout the tri-state area Educational sessions are offered to medical staff, employees, health care professionals, students at all levels and the general public Utilizing Avera McKennan's Education Center, a broad cross-section of classes involving diverse audiences are provided as a community service each year * Online resources Avera McKennan offers vast free patient educational online resources on its public website on numerous health topics, with suggestions for lifestyle change, behavior modification and management for improved health * To Be Well free education events were held on topics including orthopedics, cancer, diabetes, weight loss/healthy eating, multiple sclerosis, anxiety and acupuncture * Forums The Avera Behavioral Health Center offers free Friday Forums, in which school counselors and therapists are invited to presentations on children's mental health topics such as conflict cycles, reactive attachment disorder, depression and bipolar disorder in children, and teen substance use, abuse and addiction These sessions, held nine times each year, are attended in person by approximately 85 Throughout 2013, videos of these presentations were viewed 398 times online * The Avera Behavioral Health Center offers free monthly educational sessions on various topics followed by discussion for adults who have been impacted by a loved one's mental illness Topics have included grief and loss, anxiety, and parenting strategies for managing challenging behaviors * Women's & Children's Services Avera McKennan's Women's & Children's Services offers a number of parenting and community education opportunities, for free or at a minimal cost In fiscal year 2013, 171 childbirth education classes were held with 891 attendees A total of 23 parent and family education classes were held with 230 attendees A total of 137 car seats were issued through the South Dakota Child Safety Seat Distribution Program Free burn education was provided to 2,936 students during presentations in schools * Daycare training Free of charge, Avera McKennan offers four in-service training sessions per month to daycare providers through the YWCA, with a total of 36 scheduled annually, and additional sessions for requested topics Support groups Avera McKennan offers approximately 10 free support groups They range in topic from cancer to liver disease, diabetes, bone marrow transplant, stroke and grief and loss The organization provides free meeting space as well as speakers and leaders

4b (Code) (Expenses $ 42,003,608 including grants of $ 7,200) (Revenue $ 50,699,863)

Rural Critical Access HospitalsAvera McKennan owns or leases rural Critical Access Hospitals in Flandreau, Gregory, Dell Rapids, Milbank and Miller (Hand County), S D As such, they operate as a department of Avera McKennan The hospitals in Flandreau, Gregory and Hand County serve medically underserved counties In addition to the exempt purpose achievements described below, the rural hospitals participate in many of the activies described in Part III, Line 4a as part of Avera McKennan Among services offered by rural hospitals are radiology and imaging, colonoscopy and endoscopy, therapy and rehabilitation, 24-hour emergency care, chemotherapy, orthopedics, cardiovascular testing and care, obstetrics, surgery, and dialysis Charity and uncompensated care As part of Avera McKennan, these facilities provide necessary medical services (diagnostic and treatment) for whomever comes to us for care, regardless of their ability to pay In fiscal year 2013, charity and uncompensated care provided by rural hospitals totaled $640,000 Accessibility to health care Avera McKennan regional hospitals make medical care accessible to the entire community they serve regardless of a patient's ability to pay In 2013 rural hospitals had 1,761 discharges, 7,227 patient days and 60,655 outpatient visits Each of the hospitals provides 24-hour emergency care with eEmergency services through Avera McKennan eICU services are also available at these hospitals, providing access to critical care medicine near home and lessening the need for transport There is no additional billing to patients Telemedicine consults are also offered at rural locations in a number of medical specialties

4c (Code) (Expenses $ 190,104,465 including grants of $ 148,230) (Revenue $ 156,778,087)

ClinicsAvera McKennan provides clinical care, secondary and primary, in 87 owned/joint venture clinics in South Dakota, northwest Iowa, southwest Minnesota and northeastern Nebraska In addition to the following exempt purpose achievements, clinics participate in many of the above as part of Avera McKennan Clinic visits in 2013 totaled 1,040,163 Clinics provide primary care and urgent care, and among specialties are cardiology, dermatology, endocrinology, gastroenterology, hematology, hepatology, infectious disease, internal medicine, neonatology, nephrology, neurology and neurosurgery, OB/GYN, oncology, ophthalmology, orthopedics, pain management, pediatrics, psychiatry, pulmonology, sports medicine, surgery, and vascular services Charity and uncompensated care As part of Avera McKennan, clinics provide necessary medical services (diagnostic and treatment) for whoever comes to us for care, regardless of their ability to pay In fiscal year 2013, charity and uncompensated care provided by clinics totaled $989,000 Accessibility to health care In addition to regular clinic hours, Avera McGreevy Clinic provides Urgent Care, seeing patients on a walk-in basis at two locations during the evening hours on weekdays, and throughout the daytime hours on Saturdays and Sundays This provides greater accessibility without having to rely on emergency room care In addition, through our Curaquick clinic, Avera offers convenient, affordable clinic care in a local HyVee pharmacy

(Code) (Expenses $ 29,963,792 including grants of $ 326) (Revenue $ 45,741,441)

Avera McKennan also provides long-term care, home medical equipment & other retail, home infusion, research, fitness center, regional lab and mobile services Medical Research As a research institution, Avera McKennan draws physicians who are committed to seeking new treatments and preventive measures The Avera Research Institute in 2013 participated in over 90 clinical trials, involving cancer, Alzheimer's disease, behavioral health, gastroenterology and more The Avera Research Institute also continues ongoing applied research in the area of developing a novel photochemical tissue bonding technology that has vascular, ophthalmologic and dermatological applications Through its genetics lab, Avera McKennan is studying clinical applications of personalized medicine through pharmacogenomics in areas of pain management, behavioral health, cardiovascular health and internal medicine In fiscal year 2013, Avera McKennan operated the Avera Research Institute at a loss of $4,266,000

4d Other program services (Describe in Schedule O)
(Expenses $ 29,963,792 including grants of $ 326) (Revenue $ 45,741,441)

4e **Total program service expenses** ▶ 618,490,466

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**		No
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**	Yes	
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**	Yes	
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**	Yes	
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	419		
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	6,976		
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** 20		
	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** 10		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	**2**	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .	**3**		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	**4**		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .	**5**		No
6	Did the organization have members or stockholders?	**6**	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	**7a**	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	**7b**	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	**8a**	Yes	
b	Each committee with authority to act on behalf of the governing body?	**8b**	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	**9**		No

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

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	**10a**		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	**10b**		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	**11a**	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	**12a**	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	**12b**	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	**12c**	Yes	
13	Did the organization have a written whistleblower policy?	**13**	Yes	
14	Did the organization have a written document retention and destruction policy?	**14**	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	**15a**		No
b	Other officers or key employees of the organization	**15b**	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

▶Julie Norton 1325 S Cliff Ave Sioux Falls, SD (605) 322-8000

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			
See Additional Data Table										

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			
1b **Sub-Total** . . . . . ▶										
c **Total from continuation sheets to Part VII, Section A** . . . . ▶										
d **Total (add lines 1b and 1c)** . . . . . ▶								8,053,783	1,143,121	536,300

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 ▶548

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
Avera Central Services 3900 West Avera Drive Sioux Falls SD 57108	Shared Services	25,548,796
Sioux Falls Construction PO Box 2728 Sioux Falls SD 571072728	Construction	14,758,600
Sanford School of Medicine 1400 W 22nd St 120 Sioux Falls SD 571051505	Physician Services	2,960,791
Henkin Schultz Inc 6201 S Pinnacle Pl Sioux Falls SD 57104	Advertising	1,871,193
Associated Regional & University Patholo PO Box 27964 Salt Lake City UT 84127	Lab Testing	1,862,304

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 ▶95

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 67,450				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d 1,440,914				
	e	Government grants (contributions)	1e 189,124				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 2,011,212				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f		3,708,700			
Program Service Revenue			Business Code				
	2a	Net Patient Service Re	622110	684,906,990	684,906,990		
	b	Other patient and clin	621500	41,334,307	36,133,786	5,200,521	
	c	Income from subsidiari	423000	9,404,758	9,500,245	-95,487	
	d	Meaningful use revenue	900099	6,445,799	6,445,799		
	e	Interest in Foundation	900099	2,148,839	2,148,839		
	f	All other program service revenue		3,662,004	3,644,750	17,254	
	g	**Total.** Add lines 2a–2f		747,902,697			
	3	Investment income (including dividends, interest, and other similar amounts)		81,575			81,575
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
			(i) Real / (ii) Personal				
	6a	Gross rents	1,457,459				
	b	Less rental expenses	1,098,064				
	c	Rental income or (loss)	359,395				
	d	Net rental income or (loss)		359,395			359,395
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	4,511,371				
	b	Less cost or other basis and sales expenses	0 / 586,704				
	c	Gain or (loss)	4,511,371 / -586,704				
	d	Net gain or (loss)		3,924,667			3,924,667
Other Revenue	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from fundraising events					
	9a	Gross income from gaming activities See Part IV, line 19	a				
	b	Less direct expenses	b				
	c	Net income or (loss) from gaming activities					
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less cost of goods sold	b				
	c	Net income or (loss) from sales of inventory					
		Miscellaneous Revenue	Business Code				
	11a	Interest income	900099	837,424	837,424		
	b	Commercial testing	621500	527,097		527,097	
	c	Sports program	900099	176,406		176,406	
	d	All other revenue					
	e	**Total.** Add lines 11a–11d		1,540,927			
	12	**Total revenue.** See Instructions		757,517,961	743,617,833	5,825,791	4,365,637

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	3,708,926	3,708,926		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	113,750	113,750		
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	2,368,719	1,291,234	1,077,485	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	349,463	349,463		
7 Other salaries and wages	322,242,742	294,651,325	27,194,289	397,128
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	19,626,875	17,388,072	2,209,554	29,249
9 Other employee benefits	37,400,337	33,261,143	4,081,034	58,160
10 Payroll taxes	20,352,010	18,164,770	2,158,664	28,576
11 Fees for services (non-employees)				
a Management	316,561	316,561		
b Legal	497,125		497,125	
c Accounting	106,130		106,130	
d Lobbying	37,848		37,848	
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)	97,856,155	57,677,852	40,177,515	788
12 Advertising and promotion	3,545,710	589,859	2,947,561	8,290
13 Office expenses	11,949,845	6,366,798	5,391,151	191,896
14 Information technology	8,403,615	615,387	7,788,228	
15 Royalties . .				
16 Occupancy	21,150,569	14,650,698	6,499,764	107
17 Travel	3,235,504	2,728,243	501,410	5,851
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	2,100,832	1,832,689	267,621	522
20 Interest	7,987,206	7,746,033	241,173	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	36,030,899	30,053,309	5,971,639	5,951
23 Insurance	1,307,714	1,305,262	2,452	
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	105,489,715	105,489,715		
b Bad Debt expense	16,988,522	16,988,522		
c Equipment lease and ren	4,108,329	2,703,965	1,404,364	
d UBI tax	662,915		662,915	
e All other expenses	4,233,290	496,890	3,732,401	3,999
25 **Total functional expenses.** Add lines 1 through 24e	732,171,306	618,490,466	112,950,323	730,517
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		28,110,750	2	25,389,142
	3	Pledges and grants receivable, net		2,439,599	3	2,382,202
	4	Accounts receivable, net		92,528,140	4	93,735,966
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		20,833	5	
	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		3,360,181	7	3,220,401
	8	Inventories for sale or use		14,389,349	8	14,929,302
	9	Prepaid expenses and deferred charges		8,098,767	9	10,595,030
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 708,615,671			
	b	Less accumulated depreciation	10b 350,002,821	343,607,662	10c	358,612,850
	11	Investments—publicly traded securities		8,322,781	11	8,554,927
	12	Investments—other securities See Part IV, line 11		207,116,305	12	229,497,375
	13	Investments—program-related See Part IV, line 11		12,187,088	13	11,817,238
	14	Intangible assets		44,273,450	14	45,416,755
	15	Other assets See Part IV, line 11		36,526,072	15	23,832,489
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		800,980,977	16	827,983,677
Liabilities	17	Accounts payable and accrued expenses		65,431,052	17	69,147,875
	18	Grants payable			18	
	19	Deferred revenue		791,440	19	1,464,257
	20	Tax-exempt bond liabilities		224,989,669	20	221,217,723
	21	Escrow or custodial account liability Complete Part IV of Schedule D		818,999	21	823,621
	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		22,024,359	23	17,706,579
	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		34,663,494	25	31,746,136
	26	**Total liabilities.** Add lines 17 through 25		348,719,013	26	342,106,191
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		440,185,934	27	471,655,159
	28	Temporarily restricted net assets		9,934,388	28	11,590,650
	29	Permanently restricted net assets		2,141,642	29	2,631,677
		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		452,261,964	33	485,877,486
	34	Total liabilities and net assets/fund balances		800,980,977	34	827,983,677

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	757,517,961
2	Total expenses (must equal Part IX, column (A), line 25)	2	732,171,306
3	Revenue less expenses Subtract line 2 from line 1	3	25,346,655
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	452,261,964
5	Net unrealized gains (losses) on investments	5	7,440,887
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	827,980
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	485,877,486

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		

Additional Data

Software ID:
Software Version:
EIN: 46-0224743
Name: Avera McKennan

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
Dave Rozenboom Chair	2 00 0 00	X		X				0	0	0
Michael Bender Vice Chair	2 00 0 00	X		X				0	0	0
Dave Kapaska DO President & CEO	40 00 0 00	X		X				0	723,774	48,865
Sister Janice Klein Board Trustee	2 00 0 00	X						0	0	0
Gene Jones Jr Board Trustee	2 00 0 00	X						0	0	0
Amy Krie MD Board Trustee	40 00 0 00	X						533,149	0	39,188
Sister Kathryn Easley Board Trustee	2 00 0 00	X						0	0	0
Kim Pederson MD Board Trustee	40 00 0 00	X						300,264	0	36,659
Sister Joan Reichelt Board Trustee	2 00 3 80	X						0	0	0
Greg Schroeder MD Board Trustee	2 00 0 00	X						0	0	0
Fred Thurman Board Trustee	2 00 0 00	X						0	0	0
David Fleck Board Trustee	2 00 0 00	X						0	0	0
James Wiederrich Board Trustee	2 00 0 00	X						0	0	0
Bill Rossing MD Board Trustee	2 00 0 00	X						0	0	0
Cindy Walsh Board Trustee	2 00 0 00	X						0	0	0
David Chicoine Board Trustee	2 00 0 00	X						0	0	0
Sister Candyce Chrystal Board Trustee	2 00 0 00	X						0	0	0
Hugh Venrick Board Trustee	2 00 0 00	X						0	0	0
Raed Sulaiman MD Board Trustee	2 00 0 00	X						0	0	0
Carol Twedt Board Trustee	2 00 0 00	X						0	0	0
Julie N Norton Sec/Treas & SrVP Finance	40 00 0 00			X				384,400	0	45,508
Judy Blauwet Sr Vice President	40 00 0 00				X			338,369	0	35,463
David Flicek Sr Vice President	1 00 40 00				X			0	419,347	34,909
Steve Petersen AVP-Pharmacy	40 00 0 00				X			195,190	0	35,167
Mary Leedom AVP-Surgery	40 00 0 00				X			170,883	0	12,582

Form 990, Part VII - Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(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			
Curt Hohman Sr Vice President	40 00 0 00				X			281,740	0	27,354
Kelly McCaul MD Physician	40 00 0 00					X		1,326,856	0	27,854
Steven Condron MD Physician	40 00 0 00					X		1,140,497	0	44,007
Brian Knutson MD Physician	40 00 0 00					X		1,120,835	0	41,187
Michael Puumala MD Physician	40 00 0 00					X		1,062,046	0	39,008
Daniel Tynan MD Physician	40 00 0 00					X		1,060,503	0	41,507
Patricia Jagoe Former Key Employee	0 00 0 00						X	139,051	0	27,042

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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 McKennan

Employer identification number
46-0224743

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 McKennan	46-0224743

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)?	Yes		
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?	Yes		1,268
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		36,580
j	Total Add lines 1c through 1i			37,848
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	Part II-B Line 1g and 1i Avera McKennan participates through various hospital organizations to promote legislation that would result in strengthening health care delivery systems on a national, regional, and local level An employee of McKennan met with Congressional members to discuss and promote the pharmacy compounding legislation

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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 McKennan

Employer identification number
46-0224743

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 11,845
d	Additions during the year	1d 156,773
e	Distributions during the year	1e 148,601
f	Ending balance	1f 20,017

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

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

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

		(a) Current year	(b) Prior year	b (c) Two years back	(d) Three years back	(e) Four years back
1a	Beginning of year balance	2,141,642	2,021,909	1,981,042	1,897,334	2,160,515
b	Contributions					
c	Net investment earnings, gains, and losses	490,035	119,733	40,867	83,708	-263,181
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance	2,631,677	2,141,642	2,021,909	1,981,042	1,897,334

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 ▶ 100 000 %
- c Temporarily restricted endowment ▶

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

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

		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	7,665,722	21,123,158		28,788,880
b Buildings	2,279,713	403,537,844	157,641,909	248,175,648
c Leasehold improvements				
d Equipment		257,701,727	186,781,642	70,920,085
e Other		16,307,507	5,579,270	10,728,237
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				358,612,850

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) Assets Limited as to Use - Avera Pooled Investments	193,575,151	F
(B) Avera Home Medical Equipment, LLC	3,633,078	C
(C) Heart Hospital of South Dakota, LLC	14,198,011	C
(D) Interest in Avera Health Foundation	13,377,003	F
(E) Investments in affiliated companies	4,714,132	C
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	229,497,375	

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	
Other Liabilities	2,741,802
Due to other Organizations	1,174,897
Market value of interest swap	8,644,872
Estimated third-party payor settlements	9,350,011
Due to affilate	5,156,584
Minority interest	4,677,970
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	31,746,136

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	824,010,890
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	7,440,887		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	72,573,083		
e	Add lines **2a** through **2d**			2e	80,013,970
3	Subtract line **2e** from line **1**			3	743,996,920
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	13,521,041		
c	Add lines **4a** and **4b**			4c	13,521,041
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	757,517,961

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

1	Total expenses and losses per audited financial statements			1	786,743,861
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	73,520,962		
e	Add lines **2a** through **2d**			2e	73,520,962
3	Subtract line **2e** from line **1**			3	713,222,899
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	18,948,407		
c	Add lines **4a** and **4b**			4c	18,948,407
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	732,171,306

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 1b	The organization holds funds in trust on behalf of its long-term care residents Many small dollar transactions flow in and out of this account The account is managed by the nursing home staff The state has strict guidelines on how these accounts are managed
	Part IV, Line 2b	The organization holds an amount in trust related to a non-compete as part of an employment agreement for an employed physician The amount will be held and then paid out when the physician reaches age 65 or earlier according to the written trust agreement
Description of Intended Use of Endowment Funds	Part V, Line 4	The Organization's endowment consists of a portion of their interest in the net assets of 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 The Organization currently does not have any board designated endowment funds
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) Certain consolidated subsidiaries, including Avera Home Medical Equipment LLC, MRIS, LLC, Heart Hospital of South Dakota LLC, and Alumend LLC, are not tax exempt entities and are considered partnerships or disregarded entities for tax purposes Avera McKennan is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, Avera McKennan is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose Avera McKennan files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income For the years ended June 30, 2013 and 2012, cash paid for income taxes was $852,192 and $270,406, respectively 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 990-T and other tax return filings are generally no longer subject to federal tax examinations by tax authorities for years before 2010
Part XI, Line 2d - Other Adjustments		Revenues of consolidated subsidiaries consolidated for financial statements 87,954,874 Occupancy expenses included in nonoperating income on financial statements -1,959,885 Change in fair value of interest rate swap recorded in n/a for tax return 3,947,356 Reclass of losses on interest rate swaps recorded in n/a for tax return -380,740 Bad Debt expense reported in revenue for financial statements -16,988,522
Part XI, Line 4b - Other Adjustments		Investment chg in Avera Health Fdtn recorded in fd balance on financial stmt 339,043 Gain from investment in subsidiaries recorded in revenue for tax return 9,257,454 Management fees included in expenses on financial statements 1,600,993 Rental expense included in revenues on financial statements -1,098,064 Contribution of long-lived asset recorded in net assets for financial stmt 1,128,014 Temp & Perm Changes in investment of Avera Foundation 2,146,297 Change in noncontrolling interest in Heart Hospital of South Dakota 147,304
Part XII, Line 2d - Other Adjustments		Expenses of consolidated subsidiaries consolidated for financial statements 74,023,891 Management fees included in revenue for tax return -1,600,993 Rental expense included in expenses for tax return 1,098,064
Part XII, Line 4b - Other Adjustments		Occupancy expenses included in the nonoperating income for financial stmts 1,959,885 Bad Debt expense reported in revenue for financial statements 16,988,522

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
Avera McKennan

Employer identification number
46-0224743

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)			12,211,198		12,211,198	1 710 %
b Medicaid (from Worksheet 3, column a)			63,368,457	44,572,470	18,795,987	2 630 %
c Costs of other means-tested government programs (from Worksheet 3, column b)			1,247,665	786,501	461,164	0 060 %
d **Total** Financial Assistance and Means-Tested Government Programs			76,827,320	45,358,971	31,468,349	4 400 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			2,872,839	267,068	2,605,771	0 360 %
f Health professions education (from Worksheet 5)			7,525,537	1,609,899	5,915,638	0 830 %
g Subsidized health services (from Worksheet 6)			22,490,592	11,905,979	10,584,613	1 480 %
h Research (from Worksheet 7)			4,155,961	662,070	3,493,891	0 490 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)			3,061,510		3,061,510	0 430 %
j **Total.** Other Benefits			40,106,439	14,445,016	25,661,423	3 590 %
k **Total.** Add lines 7d and 7j			116,933,759	59,803,987	57,129,772	7 990 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development			69,952		69,952	0 010 %
3	Community support						
4	Environmental improvements			15,000		15,000	0 %
5	Leadership development and training for community members						
6	Coalition building			5,000		5,000	0 %
7	Community health improvement advocacy						
8	Workforce development			191,382		191,382	0 030 %
9	Other						
10	**Total**			281,334		281,334	0 040 %

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	16,988,522		
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	170,804,190
6	Enter Medicare allowable costs of care relating to payments on line 5	6	148,520,178
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	22,284,012
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					
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?
7

	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 McKennan 1325 S Cliff Ave Sioux Falls, SD 57117	X	X	X	X		X	X		34 Provider Based Clinics	
2	Heart Hospital of South Dakota LLC 10720 Sikes Place Suite 300 Charlotte, NC 28277	X	X					X		2/3 Owner in Joint Venture	
3	Avera Gregory Healthcare Center 400 Park Ave Gregory, SD 57533	X	X			X		X		Four Provider Based Clinics	
4	Avera Milbank Area Hospital 901 Virgil Ave Milbank, SD 57252	X	X			X		X		Three Rural Provider Based Clinics	
5	Avera Dells Area Health Center 909 N Iowa Avenue Dell Rapids, SD 57022	X	X			X		X		Three Provider Based Clinics	
6	Avera Flandreau Medical Center 214 N Prairie Flandreau, SD 57028	X	X			X		X		One Provider Based Clinic	
7	Avera Hand County Memorial Hospital 300 W 5th St Miller, SD 57362	X	X			X		X		One Provider Based Clinic	

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Avera McKennan

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**	Yes	
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 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 Heart Hospital of South Dakota LLC

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 2

			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**	Yes	
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**	Yes	
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**		No
If "Yes," explain in Part VI			

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group Avera Gregory Healthcare Center

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 3

			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 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 Milbank Area Hospital

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 4

			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 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 Dells Area Health Center

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 5

			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**	Yes	
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 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 Flandreau Medical Center

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 6

			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**	Yes	
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 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 Hand County Memorial Hospital

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 7

			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**	Yes	
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?
62

	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 A combination of income and assets test is utilized to determine eligibility for free or discounted care Points are assigned based on income as a percentage of FPG and net assets owned with points deducted for ongoing medical expenses such as drugs Patients with the fewest points receive the largest discount 0-1 points receive 100% discount on bills while remaining discounts range from 10-90% depending on point totals and dollar amount of charges
		Part I, Line 6a Avera McKennan's 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 methodology was used to calculate the amounts reported in the table A cost accounting system was used to calculate Medicaid and Means-tested Government Program expenses and shortfalls and Subsidized Health Services for our tertiary medical center A cost to charge ratio derived from Worksheet 2, Ratio of Patient Care Cost-to-Charges was used to calculate charity care at cost for all entities and Medicaid and Means-tested Government Program expenses and shortfalls and Subsidized Health Services for any operations outside of the tertiary medical center For all other amounts, costs and revenues as reflected by the general ledger system were used
		Part I, Line 7g Physician clinic costs for transplant services are included in subsidized health services Revenues of $763,300 and costs of $2,263,193 were included for a net community benefit of $1,499,893 Our facility is the principal provider of transplant services through our service area with the clinics a crucial componenet of successful pre and post transplant care

Identifier	ReturnReference	Explanation
		Part I, L7 Col(f) Bad debt expense of $16,988,522 is included on Form 990, Part IX, line 25, column (A) but excluded for purposes of calculating this percentage
		Part II Economic development, environmental improvement, and coalition building are supported mainly through monetary donations in addition to service preparedness committees The Organization's workforce development program works with universities, technical schools, and local high schools to address healthcare worker shortfalls in the community Through partnering with these organizations, Avera McKennan provides speakers, work experience for students, shadowing, career fairs and informational literature to encourage students to consider a career in healthcare and stay in the community

Identifier	ReturnReference	Explanation
		Part III, Line 4 Bad debt expense 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 The footnote to the Organization's financial statements can be found on page eight of the attached audited financial statements
		Part III, Line 8 Avera McKennan follows the Catholic Health Association 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 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 & Medicaid Services

Identifier	ReturnReference	Explanation
		Part III, Line 9b If the patient qualifies for the Organization's financial assistance policy for low-income, uninsured patients and is cooperating with the organization with regard to efforts to settle an outstanding bill within a reasonable time period, the Organization or it's agent shall not send, nor suggest that it will send, the unpaid bill to any outside 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 does not report any data to any of the credit agencies, however, the collection agencies Avera utilizes may report to the credit agencies Any extended payment plans offered by a hospital in settling the outstanding bills of low income, uninsured patients who qualify for financial assistance shall be interest-free so long as the repayment schedule is met
	Part III, Line 5, 6, and 7	The Medicare revenues received (line 5), allowable costs (line 6), and the resulting surplus (line 7) does not include a significant portion of the organization's expenses These lines require use of the Medicare cost report as prepared by the required guidelines which disallows numerous costs of hospitals, particularly if they are part of an integrated system such as Avera McKennan In these cases the entity must file a home office cost report which "steps down" overhead to non-cost report entities disproportionately to actual allowable share and essentially removing the costs from the hospital's cost report entirely Examples of a portion of these overhead costs would be finance, business office, information technology, human resources and administration Examples of non-cost report entities operated by Avera McKennan include clinics, home medical equipment stores, mobile imaging services, long-term care facilities, and other health care related businesses There are also costs completely disallowed by cost report rules such as bad debt expense, hospitalists care, marketing, CRNA's, and interest expense Avera McKennan also receives a Medicare Disproportionate Share Hospital (DSH) adjustment as part of the cost report due to its significant number of low-income patients served Part III, line 5 requires inclusion of this revenue though expenses included are much lower Schedule H instructions also require the exclusion of $11,936,462 of Medicare losses because they are included in Schedule H, part 1, line 7f or 7g Including the Medicare percentage of disallowed costs, entities which don't file a cost report but nevertheless care for Medicare patients, and the impact of the home office cost report, the Medicare shortfall is $23,315,153 as opposed to a surplus of $22,284,012

Identifier	ReturnReference	Explanation
Avera McKennan		Part V, Section B, Line 3 Avera McKennan collected data from a community survey sponsored by the City of Sioux Falls and completed in August 2012 was also utilized The facility sponsored a survey distributed at two public events in 2011 As background information, a community needs assessment survey conducted in 2010 supplemented the 2011 and 2012 activities This assessment included surveys, phone interviews and focus groups Personal interviews were conducted with the Executive Director of South Dakota Urban Indian Health, Inc , the Assistant Director of the Sioux Falls Department of Health, Sioux Falls Community Health Dental Director, and Manager of the Avera Medical Group Health Care Clinic
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 3 The health needs assessment included data from a community survey sponsored by the City of Sioux Falls and completed in August 2012 Avera Mckennan sponsored a survey distributed at two public events in 2011 As background information, a community needs assessment survey conducted in 2010 supplemented the 2011 and 2012 activities This assessment included surveys, phone interviews and focus groups Personal interviews were conducted with the Executive Director of South Dakota Urban Indian Health, Inc , the Assistant Director of the Sioux Falls Department of Health, Sioux Falls Community Health Dental Director, and Manager of the Avera Medical Group Health Care Clinic

Identifier	ReturnReference	Explanation
Avera Gregory Healthcare Center		Part V, Section B, Line 3 Avera Gregory Hospital began the community health needs assessment with primary data collection consisting of one-on-one interviews and focus groups with representatives from within the service area These individuals showed representation from civic and business organizations such as the Gregory Public School systems, the Gregory Chamber of Commerce, the Department of Social Services, the Gregory Ministerial Association, the Gregory Rotary and Gregory/Winner business owners One focus group included the Avera Gregory Hospital Advisory Board, made up of community leaders who had been appointed based on their knowledge and involvement in the community and with the following backgrounds mortuary services, banking, law and local business owners The second focus group was conducted as a town hall style meeting in which 42 community members attended The third focus group was conducted with the local school board, the principal of the high school and elementary school and the superintendent of schools for Gregory County
Avera Milbank Area Hospital		Part V, Section B, Line 3 Milbank Area Hospital Avera held five focus groups to seek the input of community and health leaders The focus groups were conducted involving the general public, all aspects of health care, a service organization, key community leaders, city and county government including law enforcement, school nursing and administration, and church officials in addition to individuals with special knowledge in public health including programs for the elderly and the local recreational facility Personal interviews were held with the county's public health nurses and the Grant County social worker

Identifier	ReturnReference	Explanation
Avera Dells Area Health Center		Part V, Section B, Line 3 The assessment began by gathering primary data about the Avera Dells Area Hospital's service area Key informant interviews were completed, which included asking a number of key questions regarding the health needs of the community The interviews lasted approximately one hour each Participants represented in the interview process included the Avera Medical Group Dell Rapids physicians, Avera Medical Group Dell Rapids clinic manager, Avera Dells Area Hospital administrator, Avera Dells Area Hospital director of patient care, Dell Rapids mayor, Dell Rapids city administrator, Minnehaha County public health assistant director, area school nurses, and Avera Dells Area Hospital Advisory Board members More specifically, the Avera Dells Area Hospital Advisory Board Members consisted of representation from the following fields/professions 1) dental hygiene, 2) school administration, 3) banking, 4) College of Nursing professor, 5) licensed practical nurse, 6) small business, and 7) medicine
Avera Flandreau Medical Center		Part V, Section B, Line 3 Avera Flandreau Medical Center began its assessment with primary data collection consisting of one-on-one interviews and written questionnaires with representatives from within the service area These individuals represented civic and business organizations such as Flandreau and Colman-Egan public school systems, Flandreau Indian Boarding School (a federal school for Native American children grades 9 - 12), Food Pantry (The Breadbasket), Public Health Office, Domestic Violence Shelter, and Moody County Pastoral Association Focus groups were also utilized for primary data collection using the above questions One focus group included AFH Advisory Board, made up of community leaders who had been appointed based on their involvement in the community and with the organization The Advisory Board consists of individuals with the following professional backgrounds agriculture, insurance, real estate, education, medicine, and business ownership A second focus group was the Medical Staff Committee, consisting of AFH senior leaders and primary care providers A third focus group was AFH nursing staff

Identifier	ReturnReference	Explanation
Avera Hand County Memorial Hospital		Part V, Section B, Line 3 Avera Hand County Memorial Hospital used a survey tool to begin the process of qualitative data collection The survey was available to a patients and visitors from March to April 2012 The surveys were compiled and printed for presentation to various groups At each group setting, representatives of the facility reviewed the satisfaction ratings of the survey to begin the dialogue, asking various questions to identify themes or trends The small groups meetings consisted of the hospital's advisory board, department managers, auxiliary, foundation, the Miller School Guidance Counselor, On Hand Development leadership, and the Hand County Public Health Nurse
Avera McKennan		Part V, Section B, Line 4 The CHNA was conducted with Heart Hospital of South Dakota, LLC

Identifier	ReturnReference	Explanation
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 4 The CHNA was conducted with Avera McKennan
Avera McKennan		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/

Identifier	ReturnReference	Explanation
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Avera Gregory Healthcare Center		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/

Identifier	ReturnReference	Explanation
Avera Milbank Area Hospital		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Avera Dells Area Health Center		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/

Identifier	ReturnReference	Explanation
Avera Flandreau Medical Center		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Avera Hand County Memorial Hospital		Part V, Section B, Line 5c The community health needs assessment can be found at http //www avera org/experience/shared/community-needs-health-assessments/

Identifier	ReturnReference	Explanation
Avera McKennan		Part V, Section B, Line 6i Avera McKennan adopted an implementation strategy to address four of the most commonly and highly identified needs Those four needs are obseity/poor diet/lack of exercise, health care access for uninsured/underinsured people including specialty care and mental health services, management of chronic conditions and smoking/alcohol use The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 6i Heart Hospital of South Dakota, LLC (Heart Hospital) will adopt an implementation strategy that addresses four of the most commonly and highly identified needs Those four needs are obesity/poor diet/lack of exercise, health care access for uninsured/underinsured people, management of chronic conditions and smoking/alcohol use The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/ Heart Hospital is operated as a joint venture in which Avera McKennan has 66 67% ownership Avera McKennan provides management services and ensures the hospital operates with a charitable intent Based on Proposed Regulation 1 501(r)-1(c)(2), Avera McKennan is treating the Heart Hospital as a facility subject to the rules under 501(r) Avera McKennan performed a Community Health Needs Assessment with consideration of all the services they provide, including the services and operations of the Heart Hospital During the preparation of the June 30, 2013 tax return, it was determined Heart Hospital should have conducted a Community Health Needs Assessment Avera McKennan determined the process used to conduct their assessment was the same process that would have been used for Heart Hospital as they both serve the same community and health needs As such, the report was updated to include specific Heart Hospital information and an Implementation Strategy was formalized These documents will be approved by the Heart Hospital Board of Directors at their normal meeting at the end of May 2014 The failure to formally include the Heart Hospital in the initial process and for the board to approve the reports during the tax year has not had a negative impact on patients or the community Heart Hospital addresses the needs identified which were relevant to the services they provide on an on-going basis The failure to approve the report and implementation strategy was an oversight in the process and was not intentional Correction has occurred and both the Heart Hospital and Avera McKennan will continue to address the needs identified

Identifier	ReturnReference	Explanation
Avera Gregory Healthcare Center		Part V, Section B, Line 6i The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Avera Milbank Area Hospital		Part V, Section B, Line 6i The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/

Identifier	ReturnReference	Explanation
Avera Dells Area Health Center		Part V, Section B, Line 6i The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Avera Flandreau Medical Center		Part V, Section B, Line 6i The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/

Identifier	ReturnReference	Explanation
Avera Hand County Memorial Hospital		Part V, Section B, Line 6i The implementation strategy can be found at http //www avera org/experience/shared/community-needs-health-assessments/
Avera McKennan		Part V, Section B, Line 7 Dental care was a need identified but not directly addressed as it was not one of the highest priorities In addition, it is outside the facilitys competencies and is already addressed by City of Sioux Falls Health Department, Falls Community Health Avera Medical Group Health Care Clinic does facilitate distribution of vouchers for dental care which are provided through donations

Identifier	ReturnReference	Explanation
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 7 Heart Hospital will address community concerns of health care access for uninsured/underinsured, obesity/poor diet, management of chronic conditions, and smoking use through current service offerings in addition to partnering with the City and other community health care entities Other needs identified such as dental care, behavioral health services and access to exercise facilities were a lower priority and are not within the hospital's core competencies
Avera Gregory Healthcare Center		Part V, Section B, Line 7 Three needs were identified and not addressed Reducing tobacco use was identified but not included in the implementation plan due to lack of financial resources, competing priorities and projects, and a downward use trend under current interventions Providing dermatology and Ophthalmology services were not addressed due to difficulty in recruiting specialists due to population density, lack of financial resources, and complexity of the services

Identifier	ReturnReference	Explanation
Avera Milbank Area Hospital		Part V, Section B, Line 7 One need was identified and not addressed lack of kidney dialysis available in the community There is a provider at a facility 12 miles to the east of Milbank Area Hospital (MAH) Avera MAH Avera does not currently have the equipment and dedicated space needed to provide the service The facility continues researching the service and will decide at a later date if it will be able to address the need
Avera McKennan		Part V, Section B, Line 14g Avera McKennan's summary of the policy is posted in the hospital facility's emergency room or waiting rooms, admissions offices, and is provided, in writting, to patients on admission to the hospital facility

Identifier	ReturnReference	Explanation
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 14g Heart Hospital of South Dakota's policy is made available upon request and is provided and discussed with patient as the need is identified It is also available via the website
Avera Gregory Healthcare Center		Part V, Section B, Line 14g Avera Gregory Healthcare Center's summary of the policy is posted in the hospital facility's emergency room or waiting rooms, admissions offices, and is provided, in writting, to patients on admission to the hospital facility

Identifier	ReturnReference	Explanation
Avera Milbank Area Hospital		Part V, Section B, Line 14g Avera Milbank Area Hospital's summary of the policy is posted in the hospital facility's emergency room or waiting rooms, admissions offices, and is provided, in writting, to patients on admission to the hospital facility
Avera Dells Area Health Center		Part V, Section B, Line 14g Avera Dells Area Health Center's summary of the policy is posted in the hospital facility's emergency room or waiting rooms, admissions offices, and is provided, in writting, to patients on admission to the hospital facility

Identifier	ReturnReference	Explanation
Avera Flandreau Medical Center		Part V, Section B, Line 14g Avera Flandreau Medical Center's summary of the policy is posted in the hospital facility's emergency room or waiting rooms, admissions offices, and is provided, in writting, to patients on admission to the hospital facility
Avera Hand County Memorial Hospital		Part V, Section B, Line 14g Avera Hand County Memorial Hospital's summary of the policy is posted in the hospital facility's emergency room or waiting rooms, admissions offices, and is provided, in writting, to patients on admission to the hospital facility

Identifier	ReturnReference	Explanation
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 20d All self-pay patients are provided a 20% discount in an effort reflect discounts provided under commercial insurance In addition, the maximum amount charged to a patient under the financial assistance policy for emergency and medically necessary care is 80% of the gross charges or the discouned rate if they are self pay This is based on the lowest discount under the financial assistance policy
Heart Hospital of South Dakota, LLC		Part V, Section B, Line 21 The hospital provides a reduction to gross charges under their financial assistance policy and their self pay discount The hospital has not determined the amount generally billed under the various proposed methods of calculation Therefore, it is possible a patient under the financial assistance policy could have paid more than the amount generally billed (as defined) The hospital will review the various methods to ensure appropriate discounts are provided to equal or exceed the amounts generally billed to those with insurance

Identifier	ReturnReference	Explanation
Avera McKennan		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
Avera Gregory Healthcare Center		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

Identifier	ReturnReference	Explanation
Avera Milbank Area Hospital		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
Avera Dells Area Health Center		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

Identifier	ReturnReference	Explanation
Avera Flandreau Medical Center		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
Avera Hand County Memorial Hospital		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

Identifier	ReturnReference	Explanation
		Part VI, Line 2 Community needs assessment occurs at various points in the system Through annual strategic planning sessions, community leaders are brought in to update and educate Avera McKennan board members and administrative council on the successes, challenges, and service gaps in the community Examples include school district officials, state health department, and community health organizations Leaders also serve on boards of various community organizations which seek to address the health and well-being of area citizens Local governing boards at outlying facilities, who are members of the community, discuss and help direct resources to areas of targeted needs as well
		Part VI, Line 3 Notices are posted in English and Spanish in a visible manner in locations where there is a high volume of inpatient or outpatient admitting/registration, such as emergency departments, billing offices, admitting offices, and outpatient service settings as well as the Organization website Posted notices state that the Organization has a financial assistance policy for low-income uninsured patients who may not be able to pay their bill and that this policy provides for charity care and reduced-payment for healthcare services There is also identification of a contact phone number that a patient can call to obtain more information about the financial assistance policy and about how to apply for such assistance Additionally, admitting staff makes available a brochure designed to help patients understand how we bill patients and provides summary information on financial assistance if you are unable to pay Patient Advocates work with uninsured patients in our main tertiary facility to enroll them in applicable social programs and identify charity eligibility, eligibility and enrollment for county, state or federal risk pools, and eligibility for modified Medicare or Medicaid programs

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Avera McKennan's service area is a largely rural population Services are provided through a health care network of 115 locations covering 54 communities in four states The main tertiary facility is located in a population center of over 155,000 served by another non-profit hospital of similar size, Veterans Administration Hospital, a Hospital dedicated to diagnosis and treatment of heart disease, and a hospital for children with special health care needs Outside of this population center, most of the communities served have less than 4,000 residents The primary service area includes four counties covering approximately 2,600 square miles and contains seven federally designated medically underserved areas The U S Census Bureau data estimates just under 10% of residents in the primary service area are at or below the poverty level Our secondary service area covers an additional 19 counties in South Dakota, Iowa and Minnesota with an estimated total population of 235,000 based on U S Census Bureau projections for 2011
		Part VI, Line 5 Surplus funds are reinvested in facilities to improve patient care Medical staff privileges are extended to all qualified physicians in the community The Avera Mckennan board of trustees is principally comprised of community members from the primary service area Members come from a variety of backgrounds ranging from private industry and banking to healthcare Avera McKennan is a verified Level II trauma center and was the first such Center in the State of South Dakota Avera McKennan's Emergency Department is staffed 24 hours a day with board-certified emergency specialists and provides emergency care regardless of ability to pay Operating both Fixed Wing and Helicopter medical air transports, Avera McKennan's flight teams cover a large geographic area providing state-of-the-art air transport services and access to critical care, with 1,293 flights in the past year Avera McKennan owns or leases rural Critical Access Hospitals in Flandreau, Gregory, Dell Rapids, Milbank and Miller (Hand County), S D As such, they operate as a department of Avera McKennan The hospitals in Flandreau, Gregory and Hand County serve medically underserved counties In addition to the following exempt purpose achievements, rural hospitals participate in many of the above as part of Avera McKennan Among services offered by rural hospitals are radiology and imaging, colonoscopy and endoscopy, therapy and rehabilitation, 24-hour emergency care, chemotherapy, orthopedics, cardiovascular testing and care, obstetrics, surgery, and dialysis Health Care Clinic In 1992, Avera McKennan established a Health Care Clinic to provide free care for people who are uninsured or underinsured in the community The clinic is managed by a Registered Nurse and staffed by Registered Nurses, two midlevel providers, medical residents and volunteer health care providers The goal of the clinic is to prevent or treat patients' medical conditions before they become catastrophic The clinic averages 560 visits per month, providing preventative care, diagnosis and treatment of illnesses and injuries, medication assistance and assistance in obtaining specialist care for patients with complex cases The clinic also serves to train physicians, nurses and other health care students It provides a free evening clinic one evening per month, staffed by medical students under supervision of physicians Avera McKennan is the only health care organization to provide free services such as this in the state of South Dakota The clinic had 6,724 visits in 2013, and was operated at an annual cost of $733,620 Avera McKennan partners with the not-for-profit Destiny Clinic by providing funding of $13,000 per year to provide free evening clinic services Partnership in Live Well Sioux Falls The City of Sioux Falls received a Community Health Transformation Grant from the South Dakota Department of Health, sparking a project to improve the health and well-being of the citizens of Sioux Falls Guided by the City of Sioux Falls Health Department, this ongoing project is known as Live Well Sioux Falls It involves more than 24 community partner organizations Among these partners are Avera McKennan and the other major health care system in Sioux Falls, Sanford Health Avera plans to work in partnership with the City of Sioux Falls and Sanford Health to address the priorities of Live Well Sioux Falls, and arrive at solutions which are collaborative in nature Avera McKennan collaborates with Live Well Sioux Falls to promote the Big Squeeze, a hypertension initiative in April to promote blood pressure screening and education, with the goal of diagnosing high blood pressure One in three American adults have high blood pressure, but only half of them have it under control, adding to the risk of stroke, heart attack and vascular disease Residency/Health Professions Training and Internships In 2013, Avera McKennan had 84 medical school residents in training at Avera McKennan in Internal Medicine, Family Practice, Psychiatry, Geriatrics and Transitional Residency Programs offered in partnership with the University of South Dakota School of Medicine Over 800 students in nursing, pharmacy, physician assistant programs, radiology and respiratory therapy also completed rotations at Avera McKennan Avera McKennan has many joint agreements with institutions of higher education for both clinical and educational programming In non-clinical areas, Avera McKennan offered 29 internships in 2013 in the areas of marketing, human resources, finance, foundation, and network operations, working with approximately 16 institutions of higher education Patient and Community Education Avera McKennan is a regional leader in offering educational programs for a variety of learners, leaders and employees Utilizing advanced technology, many of these programs are provided electronically throughout the tri-state area Educational sessions are offered to medical staff, employees, health care professionals, students at all levels and the general public Utilizing Avera McKennan's Education Center, a broad cross-section of classes involving diverse audiences are provided as a community service each year * Online resources Avera McKennan offers vast free patient educational online resources on its public website on numerous health topics, with suggestions for lifestyle change, behavior modification and management for improved health * To Be Well free education events were held on topics including orthopedics, cancer, diabetes, weight loss/healthy eating, multiple sclerosis, anxiety and acupuncture * Forums The Avera Behavioral Health Center offers free Friday Forums, in which school counselors and therapists are invited to presentations on children's mental health topics such as conflict cycles, reactive attachment disorder, depression and bipolar disorder in children, and teen substance use, abuse and addiction These sessions, held nine times each year, are attended in person by approximately 85 Throughout 2013, videos of these presentations were viewed 398 times online * The Avera Behavioral Health Center offers free monthly educational sessions on various topics followed by discussion for adults who have been impacted by a loved one's mental illness Topics have included grief and loss, anxiety, and parenting strategies for managing challenging behaviors * Women's & Children's Services Avera McKennan's Women's & Children's Services offers a number of parenting and community education opportunities, for free or at a minimal cost In fiscal year 2013, 171 childbirth education classes were held with 891 attendees A total of 23 parent and family education classes were held with 230 attendees A total of 137 car seats were issued through the South Dakota Child Safety Seat Distribution Program Free burn education was provided to 2,936 students during presentations in schools * Daycare training Free of charge, Avera McKennan offers four in-service training sessions per month to daycare providers through the YWCA, with a total of 36 scheduled annually, and additional sessions for requested topics Support groups Avera McKennan offers approximately 10 free support groups They range in topic from cancer to liver disease, diabetes, bone marrow transplant, stroke and grief and loss The organization provides free meeting space as well as speakers and leaders Information and Assistance Avera McKennan operates a 24-hour Medical Call Center, through which patients have access to the Ask-A-Nurse program Patients can call a toll-free number and talk personally with a Registered Nurse to ask health questions or receive general health information In 2013, the Medical Call Center handled 107,214 calls Avera McKennan's web site also provides an extensive health library that consumers can access free of charge Interpreter service Avera McKennan employs two full-time Spanish interpreters in-house, and their services are offered to patients free of charge In addition, in cooperation with external agencies, Avera McKennan is able to handle 200 different languages and dialects through phone, video remote interpreting and other means Interpretation services are available for patients when they are at Avera McKennan in person, or when they call by phone All the above services are provided at no cost to the patient

Identifier	ReturnReference	Explanation
		Part VI, Line 6 The communities in which the Avera system 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
		Prenatal and delivery care Because early and regular prenatal care is important to prevent premature birth, Avera McKennan collaborates in a community effort to provide obstetrics care for women who do not qualify for Medicaid, but cannot afford health insurance The program offers prenatal care, and hospital labor and delivery serves for a low fee of $1,000 Women receive care whether they can cover any or all of the fee Care is provided primarily by first-year family practice residents, supervised by experienced physicians Through this program in 2013, Avera McKennan assisted with 46 births and provided 644 prenatal and post-partum visits Transport to Transplant Avera McKennan developed the Transport to Transplant project, which removes transportation barriers for patients from rural areas which may prevent them from completing the evaluation and testing needed for kidney and/or pancreas transplant A van funded through a grant from the Avera McKennan Foundation is used to transport patients who demonstrate a financial need Patients are brought to the Avera Transplant Institute for a condensed multi-day evaluation with all testing and visits completed in less than one week Ultimately, the project results in improved morbidity and mortality, as kidney transplant doubles patient survival as compared to remaining on dialysis Avera Family Wellness This program combines positive activities like violin lessons with family coaching at no charge for children in early childhood programs in the Sioux Falls School District The goal is to prevent or lessen the effects of behavioral health conditions on children and families by fostering a positive environment Over 300 students and their families are enrolled The Walsh Family Village This hospitality house complex adjacent to the Avera McKennan campus provides a home away from home for patients and their families who come for care at Avera McKennan from outside of Sioux Falls The project was funded by donations and is operated by Avera McKennan Eleven guest rooms are available Avera McKennan also donates use of a building in the complex for a Ronald McDonald House for families of pediatric patients If they can afford it, guests are charged a low fee of $50 per night Guests are not turned away due to inability to pay the fee Employees regularly donate non-perishable food items to stock a food pantry for guests In FY2013, the Walsh Family Village served 6,780 guests, staying in 4,015 nightly rooms a 90 percent occupancy Avera McKennan provides a subsidy of approximately $226,000 per year to operate the hospitality complex Prevention and support of substance use disorder Avera McKennan is a partner with Face It TOGETHER Sioux Falls, a nonprofit organization which serves as the local face and voice for recovery from addiction through its recovery support services, advocacy and awareness programs Avera has been a partner with Face It TOGETHER since its inception, and in a recent awareness campaign In 2013, Avera McKennan provided $30,000 in funding toward this effort Community Connections Avera McKennan reaches out to people and communities throughout eastern South Dakota, southwestern Minnesota and northwest Iowa through Home Town Connections Providing a critical feedback link to local referring doctors, this program completes the communications links necessary to keep local health care providers current on the treatment of their patients at Avera McKennan Support of the arts and cultural life Avera McKennan hosts Sioux Falls' only indoor SculptureWalk, an extension of the community's downtown SculptureWalk Artists donate sculptures for one year, which are placed at locations throughout Avera McKennan's campus, in buildings connected by skywalks Brochures contain a map, and visitors who follow the route suggested walk approximately 1 mile, making this a healthy as well as a cultural journey Diabetes programming Avera participates in a collaborative project with Sioux Falls Public Schools and the South Dakota Board of Nursing to implement eConsult services with diabetic education specialists monitoring medications and the health of children with diabetes in the school setting Avera McKennan diabetes educators provided classes and one-on-one consultations at a loss of $195,000 in the past fiscal year Community Benefits Avera McKennan provides additional community benefits including support of youth programs, homeless programs, community arts programming, health prevention, awareness and education about cancer, heart disease and other conditions, and support of the Sioux Empire United Way and other services in the region Donations toward these efforts totaled $2,098,035 in 2013 Preschool vision and hearing screening Avera McKennan provided free screening for 378 preschool children in fiscal year 2013

Identifier	ReturnReference	Explanation
	Part VI, Line 6	The communities in which the Avera system 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: 46-0224743
Name: Avera McKennan

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?
62

Name and address	Type of Facility (describe)
Avera McKennan Behavioral Health Center 4400 W 69th St Sioux Falls, SD 57108	Inpatient & Outpatient behavioral health services
CORE Orthopedics Avera Medical Group 2908 East 26th Street Sioux Falls, SD 57103	Inpatient & Outpatient behavioral health services
Avera Medical Group Pierre 100 MAC Lane Pierre, SD 57501	Inpatient & Outpatient behavioral health services
Avera Medical Group Brookings 400 - 22nd Avenue Brookings, SD 57006	Inpatient & Outpatient behavioral health services
Avera Plaza 2 Pharmacy 1301 S Cliff Avenue Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Medical Group Worthington 508 Tenth Street Worthington, MN 56187	Inpatient & Outpatient behavioral health services
Avera Medical Group Spencer 116 East 11th Suite 101 Spencer, IA 51301	Inpatient & Outpatient behavioral health services
Avera McKennan Home Infusion 1020 S Cliff Avenue Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Prince of Peace 4500 S Prince of Peace Place Sioux Falls, SD 57103	Inpatient & Outpatient behavioral health services
McKennan Regional Laboratory 1325 S Cliff Avenue Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 2400 S Minnesota Ave Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Medical Group Maternal Fetal Medic 1417 South Cliff Avenue Suite 100 Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Medical Group Pediatric Specialist 1417 S Cliff Avenue Suite 010 Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera McKennan Hosp & Univ Campus Pharm 1325 S Cliff Avenue Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Dougherty Hospice House 4509 Prince of Peace Place Sioux Falls, SD 57103	Inpatient & Outpatient behavioral health services
Avera McKennan Fitness Center 3400 S Southeastern Drive Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Rosebud Country Care Center 300 Park Avenue Gregory, SD 57533	Inpatient & Outpatient behavioral health services
Avera Medical Group Windom 820 - 2nd Avenue Windom, MN 56101	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 418 S 2nd Street Aberdeen, SD 57401	Inpatient & Outpatient behavioral health services
Avera Medical Group Sibley 600-9th Avenue North Sibley, IA 51249	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1104 East College Dr Marshall, SD 56258	Inpatient & Outpatient behavioral health services
Laurel Oaks Apartments 4510 S Prince of Peace Place Sioux Falls, SD 57103	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1001 W 9th Street Yankton, SD 57078	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1307 N Main Mitchell, SD 57301	Inpatient & Outpatient behavioral health services
Avera Medical Group Occupational Medicin 4928 North Cliff Avenue Sioux Falls, SD 57104	Inpatient & Outpatient behavioral health services
Avera Medical Group Comprehensive Breast 1000 East 23rd Street Suite 360 Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1411 Wells Ave Pierre, SD 57501	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1508 4th Street NE Watertown, SD 57201	Inpatient & Outpatient behavioral health services
Avera Medical Group Spirit Lake Medical 2700 - 23rd Street Suite A Spirit Lake, IA 51360	Inpatient & Outpatient behavioral health services
Avera Medical Group McGreevy Salem 740 South Hill Salem, SD 57058	Inpatient & Outpatient behavioral health services

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?
62

Name and address	Type of Facility (describe)
Avera 69th Street Pharmacy - Behavioral 4400 W 69th St Suite 300 Sioux Falls, SD 57108	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment Floyd Valle 190 6th Ave NE LeMars, IA 51031	Inpatient & Outpatient behavioral health services
Avera Research Institute 2020 S Norton Ave Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 100 22nd Avenue Suite 101 Brookings, SD 57006	Inpatient & Outpatient behavioral health services
Avera Dermatology Pharmacy 6701 South Minnesota Avenue Sioux Falls, SD 57108	Inpatient & Outpatient behavioral health services
Avera Medical Group Women's Midlife Care 911 East 20th Street - Suite 200 Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 38 19th Street SW Sioux Center, IA 51250	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 602 Central Ave Estherville, IA 51334	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 903 N Washington Madison, SD 57042	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1325 South Cliff Avenue Sioux Falls, SD 57117	Inpatient & Outpatient behavioral health services
Avera Institute for Human Genetics 4400 W 69th St Suite 200 Sioux Falls, SD 57108	Inpatient & Outpatient behavioral health services
Avera Medical Group Lakes Family Practic 2700 - 23rd Street Suite C Spirit Lake, IA 51360	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment of Spencer 716 Grand Ave Spencer, IA 51301	Inpatient & Outpatient behavioral health services
Avera Lee Mabee OBGYN 1910 West 69th Suite 100 Sioux Falls, SD 57108	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 102 West Main Suite A Parkston, SD 57366	Inpatient & Outpatient behavioral health services
Avera Medical Group Larchwood 916 Holder Street PO Box 8 Larchwood, IA 51241	Inpatient & Outpatient behavioral health services
Avera Home Medical Equipment 1565 Dakota Ave S Huron, SD 57350	Inpatient & Outpatient behavioral health services
Curaquick Avera Clinic 3000 S Minnesota Ave Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Avera Medical Group Big Stone City 451 Main Street Big Stone City, SD 57216	Inpatient & Outpatient behavioral health services
Community Blood Bank 1301 South Cliff Avenue Suite 3 Sioux Falls, SD 57105	Inpatient & Outpatient behavioral health services
Health Care Clinic 300 North Dakota Avenue Suite 117 Sioux Falls, SD 57104	Inpatient & Outpatient behavioral health services
Pipestone Medical Group Avera 920 - 4th Avenue SW Pipestone, MN 56164	Inpatient & Outpatient behavioral health services
Avera Medical Group Chamberlain 101 South Front PO Box 27 Chamberlain, SD 57325	Inpatient & Outpatient behavioral health services
Rural Medical Clinics 301 South Walnut Street Freeman, SD 57029	Inpatient & Outpatient behavioral health services
Avera Medical Group Estherville 926 North 8th Street Estherville, IA 51334	Inpatient & Outpatient behavioral health services
Hegg Medical Clinic Avera 2121 Hegg Drive Rock Valley, IA 51247	Inpatient & Outpatient behavioral health services
Yorkshire Eye Clinic 2311 Yorkshire Drive Brookings, SD 57006	Inpatient & Outpatient behavioral health services
Avera Medical Group Butte 730 Wilson Street Butte, NE 68722	Inpatient & Outpatient behavioral health services
Avera Medical Group Elkton 203 Elk Street Elkton, SD 57026	Inpatient & Outpatient behavioral health services
Avera Medical Group Fulda 201 N St Paul Avenue Fulda, MN 56131	Inpatient & Outpatient behavioral health services

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?
62

Name and address	Type of Facility (describe)
Avera Medical Group Lakefield 221 - 3rd Avenue Lakefield, MN 56150	Inpatient & Outpatient behavioral health services
Avera Medical Group Volga 210 Kasan Avenue Volga, SD 57071	Inpatient & Outpatient behavioral health services

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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 McKennan

Employer identification number
46-0224743

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
See Additional Data Table							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . ▶ 46

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) Scholarships	48	113,750			

Part IV **Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 The governing board and management develop programs which enhance the charitable mission of the Organization Disbursement for grants or assistance for these programs are made in accordance with prescribed procedures and are subject to conditions established by the Organization's governing board and management, which are designed to ensure that individuals and organizations receiving grants or assistance are adequately investigated to ensure that they are qualified recipients

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0224743
Name: Avera McKennan

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
SIOUX FALLS CATHOLIC SCHOOLS3100 W 41st Street Sioux Falls, SD 57105	51-0145184	501(c)(3)	700,200				Donation
FORWARD SIOUX FALLSPO Box 907 Sioux Falls, SD 57101	46-0396647	501(c)(6)	18,439				Donation

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
RONALD MCDONALD HOUSE2001 S Norton Sioux Falls, SD 57105	46-0371152	501(c)(3)	70,500	160,516	FMV	rented space	Donation
YWCA300 W 11th Street Sioux Falls, SD 57104	46-0234998	501(c)(3)	52,500				Donation

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
SOUTH DAKOTA STATE UNIVERSITYPO BOX 2218 Brookings,SD 57007	46-0273801	STATE OF SD	1,009,246				Donation
AMYOTROPHIC LATERAL SCLEROSIS ASSOCIATION MINNESOTA CHAPTER333 Washington Ave N Ste 105 Minneapolis,MN 554011352	41-1756085	501(c)(3)	50,000				Donation

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
WASHINGTON PAVILION PO Box 984 Sioux Falls, SD 57101	46-0435791	501(c)(3)	46,000				Donation
SIOUX EMPIRE UNITED WAY1000 N West Ave 120 Sioux Falls, SD 57104	46-0233701	501(c)(3)	43,500				Donation

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
SOUTHEAST TECHNICAL INSTITUTE FOUNDATION 2320 North Career Avenue Sioux Falls, SD 57107	36-4112897	501(c)(3)	96,980				Donation
CATHOLIC DIOCESE523 N DULUTH AVE Sioux Falls, SD 57104	46-6000424	501(c)(3)	130,009				Donation

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
SERTOMA BUTTERFLY HOUSE INC4320 South Oxbow Ave Sioux Falls, SD 57106	52-2370420	501(c)(3)	27,500				Donation
SOUTH DAKOTA SYMPHONY315 N MAIN AVE SUITE 204 Sioux Falls, SD 571046078	46-6017026	501(c)(3)	25,820				Donation

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
AMERICAN CANCER SOCIETY4904 S Technopolis Drive Sioux Falls, SD 57106	13-1788491	501(c)(3)	23,675				Donation
NATIONAL KIDNEY FOUNDATION1100 E 21st Street Avera Doctors Plaza 2 Ste 210 Sioux Falls, SD 57105	46-0448030	501(c)(3)	23,500				Donation

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
MCCROSSAN BOYS RANCH 47135 260th Street Sioux Falls, SD 57107	46-0311913	501(c)(3)	20,332				Donation
HARRISBURG ACTIVITIES FOUNDATIONPO Box 479 Harrisburg, SD 57032	06-1749081	501(c)(3)	20,000				Donation

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
USD FOUNDATION1100 N DAKOTA Vermillion, SD 57069	46-6018891	501(c)(3)	96,000				Donation
SOUTH DAKOTA ACHIEVE 4100 S Western Ave Sioux Falls, SD 57105	23-7072116	501(c)(3)	20,000				Donation

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
UNIVERISITY OF SOUTH DAKOTA SANFORD SCHOOL OF MEDICINE 1400 W 22nd St Sioux Falls, SD 57105	46-6000364	STATE OF SD	20,000				Donation
HARRISBURG DAYS FOUNDATIONPO Box 343 Harrisburg, SD 57032	84-1709233	501(c)(3)	16,667				Donation

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
HELPLINE CENTER1000 N West Ave Ste 310 Sioux Falls, SD 57104	23-7424387	501(c)(3)	16,500				Donation
BOYS AND GIRLS CLUB OF THE SIOUX EMPIRE824 E 14th Street Sioux Falls, SD 57104	46-0399482	501(c)(3)	16,000				Donation

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
SIOUX FALLS GREEN PROJECT431 N Phillips Ave 200 Sioux Falls, SD 57104	26-3820362	501(c)(3)	15,000				Donation
SOUTH DAKOTA PARKS AND WILDLIFE FOUNDATION523 E Capitol Ave Pierre, SD 57501	46-0387968	501(c)(3)	15,000				Donation

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
TEACH FOR AMERICA INC 315 West 36th Street 8th Floor New York, NY 10018	13-3541913	501(c)(3)	15,000				Donation
DAKOTABILITIES INC3600 S Duluth Ave Sioux Falls, SD 57105	46-0306216	501(c)(3)	13,583				Donation

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
SIOUX FALLS SCHOOL DISTRICT201 E 38th St Sioux Falls, SD 57105	46-6002586	CITY OF SIOUX FALLS	13,500				Donation
DESTINY HEALTHCARE INTERNATIONAL2701 S Minnesota Ave 3 Sioux Falls, SD 57105	51-0529480	501(c)(3)	13,000				Donation

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
FAMILY VISITATION CENTER311 E 14th St Sioux Falls, SD 57104	26-3654937	501(c)(3)	12,000				Donation
NAMI OF SOUTH DAKOTA PO Box 88808 Sioux Falls, SD 57109	36-3593027	501(c)(3)	10,000				Donation

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
SIOUX FALLS JAZZ & BLUES SOCIETY123 S Main Ave Suite 204 Sioux Falls, SD 571046430	46-0418356	501(c)(3)	10,000				Donation
TRANSITIONAL LIVING CORPORATION2601 S Minnesota Ave Sioux Falls, SD 571054742	20-0293050	501(c)(3)	10,000				Donation

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
ICE SPORTS ASSOCIATIONPO Box 90504 Sioux Falls, SD 57109	27-1234271	501(c)(3)	10,000				Donation
SIOUX CENTER COMMUNITY HOSPITAL AND HEALTH CENTER605 South Main Street Sioux Center, IA 51250	42-0796764	501(c)(3)	10,000				Donation

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
VOLUNTEERS OF AMERICA DAKOTAS1401 W 51st Sioux Falls, SD 57105	23-7353508	501(c)(3)	27,730				Donation
JUNIOR ACHIEVEMENT OF SOUTH DAKOTA100 N West Avenue No 110 Sioux Falls, SD 57104	46-0306352	501(c)(3)	8,700				Donation

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
SIOUX EMPIRE BASEBALL ASSOCIATION1601 W 44th Pl Suite 3 Sioux Falls, SD 57105	41-1903475	501(c)(3)	8,667				Donation
FURNITURE MISSION OF SOUTH DAKOTA INC209 N Nesmith Ave Sioux Falls, SD 57103	81-0584500	501(c)(3)	6,000				Donation

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
PRESENTATION SISTERS 1500 N 2nd St Aberdeen,SD 57401	46-0253283	501(c)(3)	7,500				Donation
NATIONAL MULTIPLE SCLEROSIS SOCIETY UPPER MIDWEST CHAPTER 200 12th Ave S Minneapolis,MN 55415	41-0790658	501(c)(3)	7,500				Donation

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
SIOUX EMPIRE FAIR ASSOCIATION INCWH Lyons Fairgrounds Sioux Falls, SD 57107	46-0209185	501(c)(5)	7,500				Donation
ARTHRITIS FOUNDATION INC1876 N Minnehaha Ave W St Paul, MN 55104	39-0860526	501(c)(3)	6,000				Donation

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
CHILDRENS HOME FOUNDATIONPO Box 1749 Sioux Falls,SD 571011749	46-0366277	501(c)(3)	6,000				Donation
ST MARY CATHOLIC SCHOOLS812 N State Ave Dell Rapids,SD 57022	46-6003662	501(c)(3)	5,500				Donation

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 AND GIRLS CLUB OF BROOKINGS307 6th St Brookings,SD 57006	73-1630215	501(c)(3)	5,300				Donation
KILIAN COMMUNITY COLLEGE300 East 6th Strret Sioux Falls,SD 57103	46-0385443	501(c)(3)	10,000				Donation

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
COMMUNITY INDOOR TENNIS CENTER CHAMBER APPEAL300 N Phillips Ave Ste 102 Sioux Falls, SD 57104	45-2784394	501(c)(3)	27,233				Donation
Avera Health3900 West Avera Dr Ste 300 Sioux Falls, SD 57108	46-0422673	501(c)(3)	13,051				Donation

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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 McKennan

Employer identification number
46-0224743

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**	Yes	
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
	Part I, Line 4a	Patricia Jagoe, former key employee, received severance payments through October 10, 2012 that totaled $59,580
Supplemental Information	Part III	Schedule J, Part I Line 3 The President & CEO's compensation is paid by a related Organization, Avera Health Avera McKennan 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: 46-0224743
Name: Avera McKennan

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				
Dave Kapaska DO	(I)	0	0	0	0	0	0	0
	(II)	578,511	0	145,263	30,475	19,702	773,951	0
Amy Krie MD	(I)	531,952	0	1,197	20,300	19,614	573,063	0
	(II)	0	0	0	0	0	0	0
Kim Pederson MD	(I)	295,728	0	4,536	20,300	17,086	337,650	0
	(II)	0	0	0	0	0	0	0
Julie N Norton	(I)	383,180	0	1,220	20,300	25,934	430,634	0
	(II)	0	0	0	0	0	0	0
Judy Blauwet	(I)	331,429	0	6,940	15,300	20,890	374,559	0
	(II)	0	0	0	0	0	0	0
David Flicek	(I)	0	0	0	0	0	0	0
	(II)	378,960	0	40,387	13,475	22,303	455,125	0
Steve Petersen	(I)	193,448	0	1,742	11,960	23,935	231,085	0
	(II)	0	0	0	0	0	0	0
Mary Leedom	(I)	170,068	0	815	10,339	2,970	184,192	0
	(II)	0	0	0	0	0	0	0
Curt Hohman	(I)	280,479	0	1,261	20,300	7,349	309,389	0
	(II)	0	0	0	0	0	0	0
Kelly McCaul MD	(I)	1,322,328	0	4,528	20,300	7,849	1,355,005	0
	(II)	0	0	0	0	0	0	0
Steven Condron MD	(I)	1,137,617	0	2,880	20,300	24,434	1,185,231	0
	(II)	0	0	0	0	0	0	0
Brian Knutson MD	(I)	1,117,827	0	3,008	20,300	21,614	1,162,749	0
	(II)	0	0	0	0	0	0	0
Michael Puumala MD	(I)	1,056,615	0	5,431	20,300	19,434	1,101,780	0
	(II)	0	0	0	0	0	0	0
Daniel Tynan MD	(I)	1,052,116	0	8,387	20,300	21,934	1,102,737	0
	(II)	0	0	0	0	0	0	0
Patricia Jagoe	(I)	138,364	0	687	11,452	16,195	166,698	0
	(II)	0	0	0	0	0	0	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 McKennan

Employer identification number
46-0224743

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
Total			▶ $									

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
See Additional Data Table					

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 46-0224743
Name: Avera McKennan

Form 990, Schedule L, Part IV - Business Transactions Involving Interested Persons

(a) Name of interested person	**(b)** Relationship between interested person and the organization	**(c)** Amount of transaction	**(d)** Description of transaction	**(e)** Sharing of organization's revenues?	
				Yes	**No**
(1) Michael Bender	Board Member	217,488	Property Lease		No
(2) Physicians Laboratory Ltd	Board Member is greater than 5% owner	1,703,846	Lab Services - Histology		No
(3) Victoria Petersen	Family of Key Employee	36,295	Employee Compensation		No
(4) Anesthesiology Associates Inc	Board Member is greater than 5% owner	750,528	Pain Mangement Services		No
(5) Sioux Falls Construction Co	Board member is an Officer of the Entity	17,032,211	Construction		No
(6) Steven Reichelt	Family of Board Member	26,197	Employee Compensation		No
(7) Neurology Associates	Board Member is a greater than 5% Partner in the Entity	405,747	ER call coverage, rented space, and rented equipment from McKennan		No
(8) Vincenta Rossing	Family of Board Member	11,604	Employee Compensation		No
(9) Woods Fuller Schultz & Smith PC	Board Member is an officer of the entity	241,505	Legal Services		No
(10) Marlene Schroeder	Family of Board Member	29,766	Employee Compensation		No
(11) Jess Carlson	Family of Board Member	100,035	Employee Compensation		No
(12) Christiane Maroun	Family of Board Member	145,566	Employee Compensation		No

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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	Employer identification number
Avera McKennan	46-0224743

Identifier	Return Reference	Explanation
Program Service Statement	Form 990, Part III, Line 4a	Information and Assistance Avera McKennan operates a 24-hour Medical Call Center, through which patients have access to the Ask-A-Nurse program Patients can call a toll-free numb er and talk personally with a Registered Nurse to ask health questions or receive general health information In 2013, the Medical Call Center handled 107,214 calls Avera McKennan 's web site also provides an extensive health library that consumers can access free of ch arge Interpreter service Avera McKennan employs two full-time Spanish interpreters in-ho use, and their services are offered to patients free of charge In addition, in cooperatio n with external agencies, Avera McKennan is able to handle 200 different languages and dia lects through phone, video remote interpreting and other means Interpretation services ar e available for patients when they are at Avera McKennan in person, or when they call by p hone All the above services are provided at no cost to the patient Prenatal and delivery care Because early and regular prenatal care is important to prevent premature birth, Av era McKennan collaborates in a community effort to provide obstetrics care for women who d o not qualify for Medicaid, but cannot afford health insurance The program offers prenata l care, and hospital labor and delivery serves for a low fee of $1,000 Women receive care whether they can cover any or all of the fee Care is provided primarily by first-year fa mily practice residents, supervised by experienced physicians Through this program in 201 3, Avera McKennan assisted with 46 births and provided 644 prenatal and post-partum visits Transport to Transplant Avera McKennan developed the Transport to Transplant project, w hich removes transportation barriers for patients from rural areas which may prevent them from completing the evaluation and testing needed for kidney and/or pancreas transplant A van funded through a grant from the Avera McKennan Foundation is used to transport patien ts who demonstrate a financial need Patients are brought to the Avera Transplant Institut e for a condensed multi-day evaluation with all testing and visits completed in less than one w eek. Ultimately, the project results in improved morbidity and mortality, as kidney t ransplant doubles patient survival as compared to remaining on dialysis Avera Family Well ness This program combines positive activities like violin lessons with family coaching a t no charge for children in early childhood programs in the Sioux Falls School District T he goal is to prevent or lessen the effects of behavioral health conditions on children an d families by fostering a positive environment Over 300 students and their families are e nrolled The Walsh Family Village This hospitality house complex adjacent to the Avera Mc Kennan campus provides a home away from home for patients and their families w ho come for care at Avera McKennan from outside of Sioux Falls The project w as funded by donations an d is operated by Avera McKennan Eleven guest rooms are available Avera McKennan also don ates use of a building in the complex for a Ronald McDonald House for families of pediatri c patients If they can afford it, guests are charged a low fee of $50 per night Guests a re not turned away due to inability to pay the fee Employees regularly donate non-perisha ble food items to stock a food pantry for guests In FY2013, the Walsh Family Village serv ed 6,780 guests, staying in 4,015 nightly rooms a 90 percent occupancy Avera McKennan pro vides a subsidy of approximately $226,000 per year to operate the hospitality complex Pre vention and support of substance use disorder Avera McKennan is a partner with Face It TO GETHER Sioux Falls, a nonprofit organization which serves as the local face and voice for recovery from addiction through its recovery support services, advocacy and aw areness prog rams Avera has been a partner with Face It TOGETHER since its inception, and in a recent aw areness campaign In 2013, Avera McKennan provided $30,000 in funding tow ard this effort Community Connections Avera McKennan reaches out to people and communities throughout e astern South Dakota, southw estern Minnesota and northw est Iow a through Home Tow n Connectio ns Providing a critical feedback link to local referring doctors, this program completes the communications links necessary to keep local health care providers current on the trea tment of their patients at Avera McKennan Support of the arts and cultural life Avera Mc Kennan hosts Sioux Falls' only indoor SculptureWalk, an extension of the community's dow nt ow n SculptureWalk Artists donate sculptures for one year, w hich are placed at locations t hroughout Avera McKennan's campus, in buildings connected by skyw alks Brochures contain a map, and visitors w ho follow the route suggested w alk approximately 1 mile, making this a healthy as w ell as a cultural journey Diabetes programming Avera participates in a coll aborative project w ith Sioux Falls Public Schools

Identifier	Return Reference	Explanation
Program Service Statement	Form 990, Part III, Line 4a	and the South Dakota Board of Nursing to implement eConsult services with diabetic educati on specialists monitoring medications and the health of children with diabetes in the scho ol setting Avera McKennan diabetes educators provided classes and one-on-one consultation s at a loss of $195,000 in the past fiscal year Community Benefits Avera McKennan provid es additional community benefits including support of youth programs, homeless programs, community arts programming, health prevention, awareness and education about cancer, heart disease and other conditions, and support of the Sioux Empire United Way and other servic es in the region Donations toward these efforts totaled $2,098,035 in 2013 Preschool vis ion and hearing screening Avera McKennan provided free screening for 378 preschool childr en in fiscal year 2013

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 2	Gene Jones Jr , Cindy Walsh, and Fred Thurman - business relationship

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section A, line 6	The sole member of the organization is Avera Health, a nonprofit corporation organized and existing under the laws of the state of South Dakota and exempt under section 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, all 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, CFO, and Assistant VP of Financial Reporting After the initial review, a draft is provided to the Finance Committee for their review The approved return is provided to the full 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 System Annually the Compensation Committee of Avera Health, which is comprised of six (6) System Members appointed by the Religious Orders, meets with an independent consultant regarding fair market value for compensation 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 CFO and key employees are compensated by Avera McKennan Annually, the Compensation Committee of Avera McKennan, which is comprised of board members, meets to review the compensation of executives and physicians Avera McKennan compares its compensation plan to other healthcare organizations similar in size and complexity to Avera McKennan on a national basis to ensure compensation is comparable Avera McKennan utilizes multiple salary surveys and an independent compensation consultant to provide a market analysis for each executive's suggested pay or pay range Individual salaries reflect related education and experience, as well as the scope of the duties to assure amounts paid are reasonable

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

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, Line 16b	There is no written policy or procedure requiring the Organization to evaluate its participation in joint venture arrangements 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 must be approved by the board and the member

Identifier	Return Reference	Explanation
Other Fees	Form 990, Part IX, line 11g	Contract labor and purchased services Program service expenses 32,172,442 Management and general expenses 9,887,426 Fundraising expenses 61 Total expenses 42,059,929 Medical fees Program service expenses 9,174,772 Management and general expenses 297,734 Fundraising expenses 0 Total expenses 9,472,506 FFS Other Program service expenses 16,330,638 Management and general expenses 29,992,355 Fundraising expenses 727 Total expenses 46,323,720

Identifier	Return Reference	Explanation
	Form 990, Part X, Line 20	The issue price includes the filing Organization's share of the entire bond issue, which was issued to Avera Health on behalf of the Avera Obligated Group The Avera Obligated Group consists of Avera Health, Avera McKennan, Avera St Luke's, Avera Queen of Peace, Avera Sacred Heart, 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 (EIN 46-0422673)

Identifier	Return Reference	Explanation
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 9	Equity Transfers, net -3,467,243 Change in fair value of interest rate swap 3,947,357 Other changes in net assets 347,866

Identifier	Return Reference	Explanation
	Form 990, Part XII, Line 2c	The Audit Committee of Avera Health, the parent organization of Avera McKennan, selects the auditor and reviews the audited financial statements for Avera McKennan Also, the Finance Committee at Avera McKennan takes responsibility for reviewing the audited financial statements

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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 McKennan

Employer identification number
46-0224743

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
(1) Sioux Falls Hospital Managment LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 571175045 56-2141521	Management company of Heart Hospital	NC	4,799,439	19,665,591	West 69th Street LLC
(2) West 69th Street LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 571175045 46-0224743	Holding company	SD	4,799,439	19,665,591	Avera McKennan
(3) Alumend LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 571175045 46-0224743	Research and development	SD	-35,481	1,589,424	Avera McKennan

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) 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	
See Additional Data Table												

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Accounts Management Inc 5132 S Cliff Ave Suite 101 Sioux Falls, SD 57108 46-0373021	Collection Agency	SD	N/A	C					No
(2) Avera Health Plans Inc 3900 West Avera Drive Suite 101 Sioux Falls, SD 57108 46-0451539	Health Financing and Health Plan 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.)

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

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a	Yes	
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c	Yes	
d Loans or loan guarantees to or for related organization(s)	1d	Yes	
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	Yes	
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		No
q Reimbursement paid by related organization(s) for expenses	1q		No
r Other transfer of cash or property to related organization(s)	1r	Yes	
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
See Additional Data Table			

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: 46-0224743
Name: Avera McKennan

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 V, Line 2, Column c	The amounts reported in column c are reported based on a review of general ledger activity in intercompany accounts, and review of equity accounts for contributions and distributions

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) No	(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Avera Home Medical Equipment LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 57117 46-0488198	Medical Services - Home Medical Equipment	SD	Avera McKennan	Related	-246,836	5,057,858	Yes		-107,017	Yes		78 630 %
MRIS LLC 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 57117 47-0874983	Health care services including aircraft	SD	Avera McKennan	Related			Yes			Yes		100 000 %
Home Medical Equipment of Pierre LLC 329 E Dakota Pierre, SD 57501 46-0444002	Medical Services - Home Medical Equipment	SD	Avera McKennan	Related	61,320	222,675		No	17,254	Yes		50 000 %
Avera Home Medical Equipment of Floyd Valley Hospital LLC 714 Lincoln St NE Lemars, IA 51031 82-0582350	Medical Services - Home Medical Equipment	SD	Avera Home Medical Equipment LLC	Related	31,277	103,511	Yes		7,873	Yes		39 330 %
Avera Home Medical Equipment of Estherville LLC PO Box 5045 Sioux Falls, SD 57117 20-1686097	Medical Services - Home Medical Equipment	SD	Avera Home Medical Equipment LLC	Related	-4,992	143,403	Yes		-1,548	Yes		39 330 %
Avera Home Medical Equipment of Sioux Center LLC 38 19th St SW Sioux Center, IA 51250 75-3203100	Medical Services - Home Medical Equipment	SD	Avera Home Medical Equipment LLC	Related	16,958	119,974	Yes		5,430	Yes		39 330 %
Avera Home Medical Equipment of Marshall LLC 1104 East College Drive Marshall, MN 56258 20-5271924	Medical Services - Home Medical Equipment	SD	Avera Home Medical Equipment LLC	Related	52,422	304,633	Yes		15,427	Yes		39 330 %
Q&M Properties LLC 525 North Foster Mitchell, SD 57301 73-1652049	Medical Clinic Building	SD	Avera Queen of Peace	Related	-513	395,782		No			No	50 000 %
Surgical Associates Endoscopy Clinic LLC 310 S Pennsylvania St Aberdeen, SD 57401 46-0461429	Surgical Associates	SD	N/A									
Avera HME of Spencer Hospital LLC 2400 S Minnesota Avenue 102 Sioux Falls, SD 57117 80-0619999	Medical Services - Home Medical Equipment	SD	Avera Home Medical Equipment LLC	Related	-24,660	122,541	Yes		-11,830	Yes		39 330 %
Heart Hospital of South Dakota LLC 4500 W 69th Street Sioux Falls, SD 57108 56-2143771	Healthcare Services	SD	Avera McKennan	Related	9,598,877	39,331,182		No			No	66 670 %
Brookings Health System - Avera HME LLC 101 22nd Ave Suite 101 Brookings, SD 57006 45-3204123	Medical Services - Home Medical Equipment	SD	Avera Home Medical Equipment LLC	Related	-12,061	185,139	Yes		-3,822	Yes		39 330 %

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

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
Avera Home Medical Equipment LLC	A	268,324	Intercompany detail from GL
Avera Home Medical Equipment LLC	K	121,844	Intercompany detail from GL
Avera Home Medical Equipment LLC	Q	5,195,534	Intercompany detail from GL
Avera Home Medical Equipment LLC	R	5,277,541	Intercompany detail from GL
Avera Heart Hospital of South Dakota LLC	R	1,283,785	Intercompany detail from GL
Avera Heart Hospital of South Dakota LLC	C	7,862,554	Intercompany detail from GL
Avera Heart Hospital of South Dakota LLC	K	1,564,897	Intercompany detail from GL
Avera Heart Hospital of South Dakota LLC	Q	588,403	Intercompany detail from GL

Consolidated Financial Statements
June 30, 2013 and 2012

Avera McKennan

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Avera McKennan
Sioux Falls, South Dakota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Avera McKennan and subsidiaries (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 Organization'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 Organization'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 financial position of Avera McKennan and subsidiaries 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

Sioux Falls, South Dakota
October 9, 2013

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

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	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 29,252,166	$ 35,027,237
Assets limited as to use - under indenture agreements	1,348,931	1,488,570
Custodial funds held by related party	4,780,709	18,060,187
Receivables		
Patient and resident, net	108,580,871	101,712,179
Other	23,156,577	20,981,551
Supplies	17,136,963	16,338,822
Prepaid expenses	11,363,348	8,419,325
Total current assets	195,619,565	202,027,871
Assets Limited as to Use		
By Board for capital improvements and debt redemption	204,001,548	184,422,087
Interest in net assets of Avera Health Foundation	13,377,003	11,282,031
Total noncurrent assets limited as to use	217,378,551	195,704,118
Property and Equipment, Net	384,849,734	374,436,704
Other Assets		
Goodwill	32,341,422	32,554,378
Intangible assets, net	13,075,333	14,387,944
Investments in affiliated organizations	5,495,872	5,984,201
Noncurrent receivables	9,134,644	9,655,151
Property held for future use	9,031,866	7,634,109
Deferred financing costs, net	512,588	561,535
Due from related party	1,250,000	1,250,000
Other assets	3,010,583	3,677,817
Total other assets	73,852,308	75,705,135
Total assets	$ 871,700,158	$ 847,873,828

See Notes to Consolidated Financial Statements

	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 13,236,945	$ 9,232,965
Accounts payable	40,421,219	36,555,366
Estimated third-party payor settlements	9,350,011	12,003,995
Accrued salaries, benefits and withholdings	35,276,240	34,053,046
Accrued interest	1,883,852	2,087,546
Deferred revenue	1,464,257	791,440
Other	3,963,325	4,455,914
Total current liabilities	105,595,849	99,180,272
Long-Term Debt, Less Current Maturities	254,974,605	266,942,993
Other Liabilities		
Due to other organizations	1,174,897	1,174,897
Derivative liability	9,760,866	14,238,703
Other	1,710,645	2,246,751
Total liabilities	373,216,862	383,783,616
Net Assets		
Unrestricted	471,655,159	440,185,934
Noncontrolling interests	12,605,810	11,828,248
Total unrestricted net assets	484,260,969	452,014,182
Temporarily restricted	11,590,650	9,934,388
Permanently restricted	2,631,677	2,141,642
Total net assets	498,483,296	464,090,212
Total liabilities and net assets	$ 871,700,158	$ 847,873,828

	2013	2012
Unrestricted Revenue, Gains and Other Support		
Net patient and resident service revenue	$ 774,718,689	$ 731,498,762
Provision for bad debts	(19,622,103)	(20,816,115)
Net patient service revenue less provision for bad debts	755,096,586	710,682,647
Other revenue	57,337,471	47,395,657
Total unrestricted revenue, gains and other support	812,434,057	758,078,304
Expenses		
Salaries and wages	357,357,938	329,428,634
Employee benefits	84,907,492	78,344,464
Medical fees	13,151,284	12,692,080
Purchased services	42,260,069	35,065,165
Supplies	123,635,594	118,458,548
Repairs and maintenance	13,477,393	12,169,348
Other expenses	85,609,702	74,690,499
Insurance	6,587,638	5,712,880
Utilities and telephone	9,884,510	9,165,413
Interest	9,167,205	8,453,257
Depreciation and amortization	40,705,036	38,833,747
Total expenses	786,743,861	723,014,035
Operating Income	25,690,196	35,064,269
Other Income (Losses)		
Investment income (loss)	11,970,979	(696,270)
Change in fair value of interest rate swaps not designated as hedges	3,947,356	(5,258,882)
Reclassification of accumulated losses on interest rate swaps	(380,740)	(380,740)
Other nonoperating	(3,960,762)	(1,009,094)
Gain on acquisitions	-	2,724,749
Loss from extinguishment of long-term debt	-	(1,419,188)
Other income (loss), net	11,576,833	(6,039,425)
Revenues in Excess of Expenses	37,267,029	29,024,844
Change in Interest in Net Assets of Avera Health Foundation	339,043	101,688
Acquisition of Noncontrolling Interests in Consolidated Subsidiary	-	(749,776)
Distributions to Noncontrolling Interests	(3,931,277)	(4,757,519)
Reclassification of Accumulated Losses on Interest Rate Swaps	380,740	380,740
Contributions of Long-Lived Assets	1,128,014	137,632
Equity Transfers	(3,467,243)	755,783
Other Changes in Unrestricted Net Assets	530,481	(816,916)
Increase in Unrestricted Net Assets	$ 32,246,787	$ 24,076,476

	2013	2012
Unrestricted Net Assets		
Revenues in excess of expenses	$ 37,267,029	$ 29,024,844
Acquisition of noncontrolling interests in consolidated subsidiary	-	(749,776)
Distributions to noncontrolling interests	(3,931,277)	(4,757,519)
Change in interest in net assets of Avera Health Foundation	339,043	101,688
Reclassification of accumulated losses on interest rate swaps	380,740	380,740
Contributions of long-lived assets	1,128,014	137,632
Equity transfers	(3,467,243)	755,783
Other changes in unrestricted net assets	530,481	(816,916)
Increase in unrestricted net assets	32,246,787	24,076,476
Temporarily Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	1,656,262	900,376
Permanently Restricted Net Assets		
Change in interest in net assets of Avera Health Foundation	490,035	119,733
Increase in Net Assets	34,393,084	25,096,585
Net Assets, Beginning of Year	464,090,212	438,993,627
Net Assets, End of Year	$ 498,483,296	$ 464,090,212

	2013	2012
Operating Activities		
Change in net assets	$ 34,393,084	$ 25,096,585
Adjustments to reconcile change in net assets to net cash from operating activities		
Change in realized and unrealized gains on investments	(11,936,996)	719,270
Change in fair value of interest rate swaps	(4,477,837)	5,192,472
Impairment loss	1,195,956	-
Equity transfers	3,467,243	(755,783)
Loss on disposal of property and equipment	730,098	337,794
Depreciation and amortization	41,274,231	39,446,836
Loss on extinguishment of long-term debt	-	1,181,432
Earnings on equity method investments	1,384,358	1,071,934
Restricted contributions	(2,146,103)	(591,523)
Gain on acquisitions	-	(2,724,749)
Distributions to noncontrolling interests	3,931,277	4,757,519
Acquisition of noncontrolling interests in consolidated subsidiary	-	749,776
Change in assets and liabilities		
Receivables	(10,185,042)	(12,218,622)
Supplies	(694,141)	(1,662,114)
Prepaid expenses	(2,889,380)	(2,648,755)
Accounts payable	1,222,674	3,440,886
Estimated third-party payor settlements	(2,653,984)	1,109,710
Accrued expenses	892,657	(5,874,396)
Other current liabilities	180,228	680,649
Net Cash from Operating Activities	53,688,323	57,308,921
Investing Activities		
Purchases of property and equipment	(47,678,740)	(36,218,796)
Purchases of assets limited as to use	(9,006,375)	(13,826,147)
Proceeds from sales and maturities of assets limited as to use	2,370,168	23,740,881
Cash paid for business acquisitions, net of cash acquired in acquisition	(5,396,038)	(12,350,661)
Cash received for sale of business units	3,179,562	-
Investments in affiliated organizations	(2,993,448)	(3,031,550)
Distributions from affiliated organizations	697,166	2,056,288
Decrease (increase) in other assets	(383,597)	(3,302,171)
Proceeds from disposal of property and equipment	244,120	36,146
Net Cash used for Investing Activities	(58,967,182)	(42,896,010)

	2013	2012
Financing Activities		
Equity transfers	$ (3,467,243)	$ 755,783
Repayment of long-term debt	(13,110,541)	(170,302,998)
Proceeds from issuance of long-term debt	5,135,267	179,129,640
Distributions to noncontrolling interests	(3,931,277)	(4,757,519)
Restricted contributions	2,146,103	591,523
Decrease (increase) in custodial funds held by related party	13,279,478	(18,060,187)
Other long-term liabilities	(536,106)	(1,471,823)
Payment of deferred financing costs	(11,893)	-
Net Cash used for Financing Activities	(496,212)	(14,115,581)
Net (Decrease) Increase in Cash and Cash Equivalents	(5,775,071)	297,330
Cash and Cash Equivalents, Beginning of Year	35,027,237	34,729,907
Cash and Cash Equivalents, End of Year	$ 29,252,166	$ 35,027,237
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of interest capitalized of $897,814 during the year ended June 30, 2013 and $-0- during the year ended June 30, 2012	$ 9,299,192	$ 8,420,638
Business acquisitions		
Receivables	$ 2,038,238	$ 585,102
Supplies	104,000	16,352
Prepaid expenses and other	54,643	5,202
Property and equipment, net	1,479,000	5,281,295
Goodwill	983,000	3,408,099
Intangible assets	864,000	891,111
Other assets	-	1,621,857
Accounts payable	-	(56,513)
Other current liabilities	(126,843)	(151,620)
Noncontrolling interests	-	749,776
Net cash paid	$ 5,396,038	$ 12,350,661
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable - construction in progress	$ 2,853,417	$ 210,238

Note 1 - Organization and Significant Accounting Policies

Organization

Avera McKennan (Organization) operates a 505-bed acute care hospital, a 90-bed nursing home and congregate housing facility, a 16-bed hospice home, a 53-bed cardiology and cardiovascular surgical hospital in Sioux Falls, South Dakota; an 18-bed acute care hospital in Flandreau, South Dakota; a 23-bed acute care hospital in Dell Rapids, South Dakota; a 25-bed acute care hospital and a 55-bed nursing home in Gregory, South Dakota; a 25-bed acute care hospital in Milbank, South Dakota; and a 25-bed acute care hospital in Miller, South Dakota. The Organization provides clinical care, which includes primary care, urgent care and specialty clinics. The Organization also provides other health care related services through various programs.

The Organization is organized as a non-profit 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 McKennan and the following controlled organizations. Significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Avera Home Medical Equipment LLC
Midwest Regional Imaging Services LLC (dissolved March 2, 2012)
Heart Hospital of South Dakota LLC
Alumend LLC

Avera McKennan owns 77% of Avera Home Medical Equipment LLC, 100% of Midwest Regional Imaging Services LLC, 66 2/3 % of Heart Hospital of South Dakota LLC, and 100% of Alumend LLC.

Effective March 2, 2012, the Organization acquired the remaining 49% interest in Midwest Regional Imaging Services LLC. The operations of Midwest Regional Imaging Services LLC were merged into the operations of Avera McKennan as of March 2, 2012.

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 disclosures 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 have interest assessed at 1 percent per month. These interest charges are recognized as income when charged. 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 during the years ended June 30, 2013 and 2012. The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors. The Organization has not significantly changed it 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 $179,600,000 and $159,700,000 as of June 30, 2013 and 2012, respectively.

Supplies

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

Investments and Investment Income

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

The Organization, through its affiliation with Avera Health, participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Avera 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.

Investments in Affiliated Organizations

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

Physician Notes Receivable and Guarantees

The Organization has entered into unsecured notes receivable with market terms and guaranteed salary commitments with certain physicians. These contracts are limited in duration, and serve the purpose of recruiting new physicians. Notes receivable with physicians were $11,317,525 and $11,872,951 as of June 30, 2013 and 2012, respectively. Notes receivable with physicians are recorded as other current and noncurrent receivables in the consolidated balance sheets. Guaranteed salary commitments are recorded as other current and noncurrent liabilities.

Assets Limited as to Use

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

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 $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land Improvements	3-25 years
Buildings and improvements	5-100 years
Equipment	3-20 years

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

Property Held for Future Use

Property held for future use consists of rental property and real estate adjacent to the hospital campus and other property that is being held for future expansion. Depreciable rental property is depreciated over an estimated life of 10-20 years. Rental income and related expenses on the rental properties are recorded as other nonoperating in the consolidated financial statements.

Deferred Financing Costs

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

Internal Use Software

The Organization capitalizes expenses related to the acquisition and development of the software used for financial reporting, billing, processing, and patient care in conformity with ASC 350, Internal-Use Software. Costs incurred, subsequent to a determination that the technology needed to achieve performance requirements exists, are capitalized if it is probable development efforts will be completed and the software will be deployed. As of June 30, 2013 and 2012, the Organization had cumulative capitalized costs of $6,411,045 and $5,713,982, related to software in development. During the years ended June 30, 2013 and 2012, portions of the project were completed and placed in service. The portion of the project related to the Organization's clinic business line remains in the application development stage. Costs of maintenance, training, and minor upgrades are expensed as incurred upon deployment of the software.

Goodwill and Intangible Assets

Goodwill and intangible assets consist of patient records, non-compete agreements, and goodwill associated with business combinations. Intangible assets with definite useful lives are amortized. 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 the respective reporting unit. The Organization performs its test for recoverability for goodwill at the same time each year, unless circumstances require additional analysis.

Impairment of Long-Lived Assets

The Organization considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2013 and 2012.

Deferred Revenue

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

Noncontrolling Interests

The accompanying consolidated financial statements reflect the adoption of guidance within ASC 810 requiring that noncontrolling interests in subsidiaries be reported as net assets in the consolidated financial statements. The guidance also requires that net income attributable to the parent and noncontrolling interests be clearly identifiable; that changes in a parent's ownership interest be accounted for as equity transactions; and that disclosures be expanded to clearly identify and distinguish between the interest of the parent and interests of the noncontrolling owners.

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 these funds is recorded in assets limited as to use in the accompanying consolidated financial statements with net asset restrictions recorded based on donor restrictions. Changes in the funds held by the Foundation are recorded as change in interest in net assets of Avera Health Foundation in the accompanying consolidated financial statements.

Revenues in Excess of Expenses

Revenues in excess of expenses excludes changes in interest in net assets of Avera Health Foundation related to distributions from the Foundation for capital expenditures, reclassifications of accumulated losses on interest rate swaps, contributions of long-lived assets, including assets acquired using contributions which were restricted by donors, change in the fair value of the interest rate swap designated as a hedge, transfers of assets to and from related parties for other than goods and services, and other changes in unrestricted net assets.

Advertising Costs

The Organization expenses advertising costs as incurred. During the years ended June 30, 2013 and 2012, advertising expenses were $4,088,955 and $4,223,417, respectively.

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 the 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 and charity care related to uninsured patients and residents in the period the services are provided. Net patient and resident service revenue 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	$ 759,889,839	$ 715,671,120
Self-pay	14,828,850	15,827,642
Total all payors	$ 774,718,689	$ 731,498,762

Charity Care and Community Benefit

The Organization 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 and resident service revenue. The amount of charges foregone and additional estimated charity care not yet realized for services provided under the Organization's charity care policy were approximately $36,700,000 and $32,100,000 for the years ended June 30, 2013 and 2012. Total direct and indirect costs related to these foregone charges were approximately $12,200,000 and $12,100,000 at June 30, 2013 and 2012, based on average ratios of cost to gross charges.

The Organization also provides community benefit health activities at less than or at no cost to support those in the area served. These activities include, but are not limited to, community education and health services, health professionals' education, subsidized services, cash and in-kind donations to community organizations, health research, and community building activities. For the years ended June 30, 2013 and 2012, specific examples include a free health clinic, diabetes education and management programs; ASK A NURSE health information service; clinical settings for resident physicians and nursing and pharmacy students; community blood bank partnership; subsidized emergency transportation and hospice services; medication, transportation and lodging support for needy patients and families; community screenings; and clinical research.

Donor-Restricted Gifts

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

Pledges Receivable

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

Contributions Made

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

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.

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). Certain consolidated subsidiaries, including Avera Home Medical Equipment LLC, Midwest Regional Imaging Services LLC, Heart Hospital of South Dakota LLC, and Alumend LLC, are not tax-exempt entities and are considered partnerships or disregarded entities for tax purposes. Avera McKennan is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Avera McKennan is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Avera McKennan files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income. For the years ended June 30, 2013 and 2012, cash paid for income taxes was $852,192 and $270,406, respectively.

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 were incurred. The Organization's federal Form 990T and other tax return filings are generally no longer subject to federal tax examinations by tax authorities for years before 2010.

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.

Electronic Health Record (EHR) Incentives

The American Recovery and Reinvestment Act of 2009 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.

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 professionals are only allowed to participate in either the Medicaid or Medicare programs, not both.

During the year ended June 30, 2013, the Organization recorded approximately $6.3 million related to the Medicare program and approximately $1.7 million related to Medicaid programs in other 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.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements to make them conform to the 2013 presentation. The reclassifications had no effect on the consolidated changes in net assets.

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 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 (see Note 11). 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 annual 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 from 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

The Organization has entered into agreements whereby it is the guarantor, as of June 30, 2013 and 2012, for the following loans:

	2013	2012
City of Estherville, Iowa Hospital Revenue Bonds, Series 2000, 5.6% to 6.3%, refunded during the year ended June 30, 2013	$ -	$ 4,405,000
City of Estherville, Iowa Hospital Revenue Refunding Bonds, Series 2012, 1.0% to 3.75%, due annually in increasing amounts to July 1, 2026	3,840,000	3,840,000
	$ 3,840,000	$ 8,245,000

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 – PPS: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2010.

Medicare – CAH: The Organization operates several facilities that are licensed as Critical Access Hospitals (CAH). These hospitals are reimbursed for most inpatient and outpatient services on a cost-based methodology with final settlement determined after submission of annual cost reports by the hospitals and are subject to audits thereof by the Medicare intermediary. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2010.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a 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 – Medicare and Medicaid: The Organization participates in the Medicare program for which payment for resident services is made on a prospectively determined per diem rate which varies based on a case-mix resident classification system. The Organization is reimbursed for Medicaid nursing home 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.

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 31.5% and 6.2% of the Organization's net patient service revenue for the year ended June 30, 2013 and 31.8% and 6.9% 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 a reasonable possibility that recorded estimates will change by a material amount in the near term.

During the year ended June 30, 2012, net patient and resident service revenue increased by approximately $4.3 million related to a legal settlement from Medicare. Medicare had erroneously reduced payments to numerous hospitals across the nation that were paid under the inpatient prospective payment system by incorrectly calculating the effect of applying budget neutrality to the rural wage index floor for the years 1999 to 2006. By accepting the settlement from Medicare, the Organization agreed not to pursue any additional remediation from Medicare in regard to this specific calculation.

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

	2013	2012
Total patient and resident service revenue	$ 1,733,937,955	$ 1,610,934,189
Contractual adjustments		
Medicare	(476,736,785)	(431,580,222)
Medicaid	(105,963,849)	(102,879,220)
Wellmark Blue Cross	(166,339,924)	(147,705,816)
Other	(196,611,456)	(185,795,332)
Cost of goods sold	(13,567,252)	(11,474,837)
Total contractual adjustments and cost of goods sold	(959,219,266)	(879,435,427)
Net patient and resident service revenue	$ 774,718,689	$ 731,498,762

Note 4 - Business Combinations

Business Acquisitions

In December 2012, the Organization entered into an asset purchase agreement and a professional services agreement to acquire the operations of a business entity. Accordingly, the results of its operations have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date. The aggregate acquisition price for the assets was approximately $5.4 million. The assets acquired included the accounts receivable, medical supplies, property and equipment, and intangible assets. The Organization also assumed certain liabilities as part of the transaction. The value of the assets was based on an independent fair market value appraisal and the value of the accounts receivable was determined based on estimated net realizable value.

Pro forma unrestricted revenue, gains, and other support and operating income representing amounts for the periods from July 1, 2011 through June 30, 2012 and July 1, 2012 through June 30, 2013 as if the acquisition had occurred on July 1, 2011 have been omitted because of impracticality of measuring certain amounts prior to the acquisition date. Additional pro forma disclosures for changes in net assets have been omitted because of impracticality of measuring certain amounts prior to the acquisition date.

Unrestricted revenue, gains, and other support and operating income from the date of acquisition through June 30, 2013 are included in the consolidated financial statements as follows:

Unrestricted revenue, gains, and other support subsequent to the date of acquisition	$ 10,227,099
Operating income subsequent to the date of acquisition	51,519

Sales of Business Units

During the year ended June 30, 2013, the Organization entered into a professional services agreement with a related party. Under the professional services agreement, the related party purchased the outstanding accounts receivable and leased the operations of a medical clinic practice. The amount of accounts receivable purchased related to the professional services agreement was approximately $2.8 million.

During the year ended June 30, 2013, the Organization entered into a professional services agreement with another facility. Under the professional services agreement, the facility purchased the outstanding accounts receivable and leased the operations of a medical clinic practice. The amount of accounts receivable purchased related to the professional services agreement was approximately $400,000.

Note 5 - Investments and Investment Income

Assets Limited as to Use

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

	2013	2012
Under indenture agreements - held by trustee		
Cash and cash equivalents	$ 1,348,931	$ 1,488,570
By Board for capital improvements and debt redemption		
Cash and cash equivalents	$ 14,205,996	$ 6,834,212
Interest in Avera Pooled Investment Fund *	186,575,151	174,227,694
Notes receivable	3,220,401	3,360,181
	$ 204,001,548	$ 184,422,087
Interest in net assets of Avera Health Foundation		
Interest in Avera Pooled Investment Fund *	$ 13,377,003	$ 11,282,031

Avera 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%
Foreign equities	5.7%	5.9%
Cash and short-term investments	5.6%	11.9%
Balanced mutual funds	4.9%	2.8%
U.S. government issues	4.4%	8.7%
Other fixed income	2.4%	2.4%
	100.0%	100.0%

Investment Income

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

	2013	2012
Other revenue		
Interest income	$ 893,843	$ 1,013,963
Realized gains (losses) on investments, net	12,855	(890)
	$ 906,698	$ 1,013,073
Other income		
Interest income	$ 46,838	$ 36,173
Realized gains on investments, net	4,483,253	5,298,961
Change in unrealized gains (losses) on investments	7,440,888	(6,031,404)
	$ 11,970,979	$ (696,270)

Note 6 - Fair Value Measurements

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

	2013	2012
Cash equivalents	$ 1,348,931	$ 1,488,570
Physician guarantees asset	749,174	1,744,547
Pledges receivable	2,382,202	2,439,599
Total assets	$ 4,480,307	$ 5,672,716
Pledge commitments	$ 521,667	$ 613,772
Physician guarantees liability	749,174	1,744,547
Interest rate swap agreements	9,760,866	14,238,703
Total liabilities	$ 11,031,707	$ 16,597,022

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			
Cash equivalents	$ 1,348,931	$ -	$ -
Physician guarantees asset	-	-	749,174
Pledges receivable	-	-	2,382,202
Total assets	$ 1,348,931	$ -	$ 3,131,376
Pledge commitments	$ -	$ -	$ 521,667
Physician guarantees liability	-	-	749,174
Interest rate swap agreements	-	9,760,866	-
Total liabilities	$ -	$ 9,760,866	$ 1,270,841
June 30, 2012			
Cash equivalents	$ 1,488,570	$ -	$ -
Physician guarantees asset	-	-	1,744,547
Pledges receivable	-	-	2,439,599
Total assets	$ 1,488,570	$ -	$ 4,184,146
Pledge commitments	$ -	$ -	$ 613,772
Physician guarantees liability	-	-	1,744,547
Interest rate swap agreements	-	14,238,703	-
Total liabilities	$ -	$ 14,238,703	$ 2,358,319

The fair value for cash equivalents is determined by reference to quoted market prices. The fair value of the interest rate swaps are based upon estimates of the related LIBOR swap rates during the term of the swap agreement. The fair value of physician guarantees and pledge receivables and commitments are estimated based on discounted expected future cash flows.

The following tables present the reconciliation of activity for assets and liabilities measured at fair value based upon significant unobservable (non-market) information:

	Pledges Receivable	Pledge Commitments	Physician Guarantee Asset	Physician Guarantee Liability
June 30, 2011	$ 3,360,173	$ (728,129)	$ 2,898,510	$ (2,898,510)
Pledges received (made)	1,228,500	(125,000)	-	-
Cash (received) paid	(1,223,171)	259,000	(996,884)	996,884
Write-offs / adjustments	(925,903)	(19,643)	(157,079)	157,079
June 30, 2012	2,439,599	(613,772)	1,744,547	(1,744,547)
Pledges received (made)	820,028	(155,000)	-	-
Cash paid (received)	(935,611)	264,000	(1,167,407)	1,167,407
Write-offs / adjustments	58,186	(16,894)	172,034	(172,034)
June 30, 2013	$ 2,382,202	$ (521,666)	$ 749,174	$ (749,174)

Note 7 - Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the consolidated balance sheets, including cash equivalents, net accounts receivable, assets limited as to use, other assets, accounts payable, accrued liabilities, due to other organizations, 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.

The Organization's fixed rate long-term debt, including current portion, has a carrying amount that differs from its estimated fair value. The fair value of the Organization's fixed rate long-term debt is determined by references to trading activity for underlying debt instruments or if unavailable, estimated using discounted cash flow analyses, based on the Organization's effective borrowing rates at respective reporting dates for similar types of arrangements. The carrying value of the Organization's fixed rate debt is $67,223,513 and $72,653,510 as of June 30, 2013 and 2012. The fair value of the Organization's fixed rate debt is estimated to be $68,397,410 and $76,329,106 as of June 30, 2013 and 2012, which has been determined using Level 2 inputs under the fair value hierarchy.

Note 8 - 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	$ 22,252,523	$ -	$ 21,858,861	$ -
Land improvements	7,857,658	5,664,423	7,838,192	5,334,703
Buildings and improvements	436,026,395	166,594,645	414,732,226	153,896,625
Equipment	289,125,425	206,858,661	266,696,520	184,889,919
Construction in progress	8,705,462	-	7,432,152	-
	$ 763,967,463	$ 379,117,729	$ 718,557,951	$ 344,121,247
Net property and equipment		$ 384,849,734		$ 374,436,704

Construction in progress at June 30, 2013 consists of costs for the remodel and expansion of the hospital and clinic in Flandreau, South Dakota and various other remodeling and equipment projects. The estimated cost to complete these projects is $8.1 million which will be financed with Organization funds and proceeds from the Series 2012A bond issuance.

Note 9 - Investments in Affiliated Organizations

The Organization is a participant in the following partnerships and joint ventures:

Organization Name	Percent Ownership/ Sponsorship
Estherville Medical Clinic	50.0%
Pipestone Clinic	50.0%
Center for Family Medicine	50.0%
Hegg Clinic	50.0%
Q and M Properties LLC	50.0%
Brookings MRI Services	49.0%
Worthington CT Services	25.0%
Worthington MRI Services	49.0%
Chamberlain Clinic	50.0%
Rural Medical Clinics (Freeman, SD)	50.0%
Mersco Medical of Pierre LLC	50.0%
Avera Home Medical Equipment of Floyd Valley Hospital LLC	50.0%
Avera Home Medical Equipment of Estherville LLC	50.0%
Avera Home Medical Equipment of Sioux Center LLC	50.0%
Avera Home Medical Equipment of Marshall LLC	50.0%
Avera Home Medical Equipment of Spencer Hospital LLC	50.0%
Brookings Health System Avera Home Medical Equipment LLC	50.0%
Avera Nuclear Medicine Services of Mitchell	50.0%
Yorkshire Eye Clinic	49.0%
Diagnostic Technical Services LLC	50.0%

The Organization's investments are accounted for on the equity method of accounting that approximates the Organization's equity in the underlying net book value of these organizations. Summary financial information, on a combined basis, as of and for the years ended June 30, 2013 and 2012, is as follows:

	2013	2012
Cash and cash equivalents	$ 3,444,326	$ 1,506,112
Other current assets	8,052,391	6,607,232
Land, buildings, and equipment - net	2,744,001	2,784,830
Other non-current assets	440,571	184,978
Total assets	$ 14,681,289	$ 11,083,152
Total current liabilities	$ 2,157,067	$ 2,061,836
Net assets/stockholders' equity	12,524,222	9,021,316
Total liabilities and net assets/stockholders' equity	$ 14,681,289	$ 11,083,152
Total revenues	$ 25,866,282	$ 25,411,255
Total expenses	(26,800,536)	(25,815,160)
Net loss	$ (934,254)	$ (403,905)

Note 10 - 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	$ 32,554,378	$ 29,146,279
Goodwill acquired	983,000	3,408,099
Goodwill impaired	(1,195,956)	-
Balance, end of year	$ 32,341,422	$ 32,554,378

Intangible assets as of June 30, 2013 and 2012 consist of:

	Cost	Accumulated Amortization	Net
Balance, June 30, 2013			
Non-compete agreements	$ 11,344,858	$ (5,849,858)	$ 5,495,000
Medical records	5,996,265	(2,459,682)	3,536,583
Other	6,850,000	(2,806,250)	4,043,750
	$ 24,191,123	$ (11,115,790)	$ 13,075,333
Balance, June 30, 2012			
Non-compete agreements	$ 11,344,858	$ (4,840,029)	$ 6,504,829
Medical records	5,132,265	(2,042,900)	3,089,365
Other	6,850,000	(2,056,250)	4,793,750
	$ 23,327,123	$ (8,939,179)	$ 14,387,944

Amortization expense for the years ended June 30, 2013 and 2012 was $2,176,611 and $2,235,353 respectively. Estimated future amortization expense is as follows:

Years Ending June 30,	
2014	$ 1,975,872
2015	1,975,872
2016	1,975,872
2017	1,908,072
2018	1,728,276
Thereafter	3,511,369
	$ 13,075,333

Note 11 - Long-Term Debt

Long-term debt as of June 30, 2013 and 2012 consists of:

	2013	2012
South Dakota Health and Educational Facilities Authority		
Series 2008B Revenue Bonds, 5.25% to 5.50%,		
interest only until July 1, 2033, then varying		
annual installments to July 1, 2038	$ 50,320,000	$ 50,320,000
Unamortized bond discount	(248,251)	(259,117)
Note payable, dated February 2006, variable interest at		
LIBOR + 1.25% (1.44% at June 30, 2013), monthly principal and		
and interest payments of $125,492, with final balloon payment		
due to December 2, 2015	13,553,100	15,059,000
Notes payable, 5.25% fixed interest, resets January 1, 2015 and every		
three years thereafter at prime rate plus 1%, subject to 5.25% floor		
Monthly principal and interest payments due as follows:		
Payments of $46,663 to July 1, 2024, with final		
balloon payment due on July 1, 2024	7,415,694	7,576,191
Payments of $20,184 to December 15, 2015	565,766	771,860
Note payable, dated October 1, 2010, 3% fixed interest rate,		
original amount of $20,000,000, monthly principal and interest		
payments of $359,375 to October 1, 2015	9,725,118	13,676,307
Notes payable to equipment lender, annual fixed rates of interest		
from 2.26% to 5.28%, original amounts totaling $19,206,697, due		
in monthly principal and interest payments to December 1, 2017	10,577,564	8,657,203
Related party payables to Avera Health (see Note 2)		
Note payable, 4%, annual payments of $441,491 to January 1, 2029	5,156,584	5,421,268
Series 2008C Variable Rate Demand Revenue Bonds	45,335,000	45,335,000
Series 2012A Revenue Bonds	34,184,236	34,912,342
Series 2012B Revenue Bonds	91,626,739	94,681,444
Capital lease obligation	-	24,460
	268,211,550	276,175,958
Less current maturities	(13,236,945)	(9,232,965)
Total long-term debt, less current maturities	$ 254,974,605	$ 266,942,993

Long-term debt maturities are as follows:

Years Ending June 30,	
2014	$ 13,236,945
2015	13,120,785
2016	9,738,358
2017	7,631,427
2018	6,841,398
Thereafter	217,890,888
Unamortized bond discounts	(248,251)
	$ 268,211,550

Substantially all of the Organization's assets at June 30, 2013 and 2012 are pledged as collateral for debt obligations.

Various debt agreements of the Organization contain certain restrictive covenants, including the maintenance of specific financial ratios and amounts.

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 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 $1,419,188 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.

Line of Credit

A consolidated subsidiary of the Organization has a $5 million working capital line of credit provided by a mortgage lender, and is subject to the interest rate, covenants, guarantee and collateral of the real estate loan which is to expire in December 2014. In October 2013, the amount of financing available under the line of credit is reduced to $3,500,000. No amounts were outstanding under this line of credit at June 30, 2013 and 2012.

Note 12 - Leases

The Organization leases certain operations, equipment, and space under various lease agreements with varying terms, some of which are cancelable upon written notice.

Total lease expense for all operating leases and rental agreements for the years ended June 30, 2013 and 2012, was $12,884,824 and $12,151,133.

Minimum future lease payments for non-cancelable operating leases are as follows:

Years Ending June 30,	
2014	$ 7,443,390
2015	6,608,816
2016	5,126,444
2017	3,504,238
2018	2,206,828
Thereafter	1,999,132
Total minimum lease payments	$ 26,888,848

Note 13 - 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 the risk of changes in future expected variable cash flows resulting from interest rate fluctuation. As part of this strategy, the Organization has entered into the following interest rate swap agreements:

Reference	Maturity Date	Notional Amount	Organization Pays	Organization Receives	Fair Value 2013	Fair Value 2012
Swap A	2028	$ 5,269,984	3.870%	67% of LIBOR	$ (970,205)	$ (1,362,503)
Swap B	2033	$37,077,092	3.915%	67% of LIBOR	(7,674,668)	(11,229,726)
Swap C	2015	$10,842,480	5.210%	LIBOR + 1.25%	(1,115,993)	(1,646,474)
					$ (9,760,866)	$ (14,238,703)

The Organization entered into Swap A to effectively convert $5,269,984 of variable rate bonds to synthetic fixed rate debt at the rate of 3.87%. The Organization entered into Swap B to effectively convert $37,077,092 of variable rate bonds into synthetic fixed rate debt at a rate of 3.915%. The Organization entered into Swap C to effectively convert 80% of a variable rate mortgage agreement, currently $10,842,480, into synthetic fixed rate debt at a rate of 5.21%.

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 $6,568,413 is being prospectively reclassified into revenues in excess of expenses as future interest payments are made over the remaining term of the swap agreements. For each of the years ended June 30, 2013 and 2012, $380,740 was reclassified into revenues in excess of expenses in relation to the hedging discontinuance. The aggregate fair values of the swap agreements were recorded as long-term liabilities of $8,644,873 and $12,592,229 as of June 30, 2013 and 2012, respectively. The changes in fair value of $3,947,356 and $(5,258,882) were recorded to revenues in excess of expenses for the years ended June 30, 2013 and 2012, respectively.

The Organization has designated Swap C as a cash flow hedging instrument, and determined the agreement to be highly effective. The fair value of the swap agreement was recorded as long-term liabilities of $1,115,993 and $1,646,474 as of June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, the changes in fair value of $530,481 and $66,410, of Swap C were recorded to other changes in unrestricted net assets.

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

	2013	2012
Long-term Liability		
Fair value of interest rate swap agreements	$ (9,760,866)	$ (14,238,703)
Revenues in Excess of Expenses		
Change in fair value of interest rate swaps not designated as hedging instruments	$ 3,947,356	$ (5,258,882)
Reclassification of accumulated losses on interest rate swaps	(380,740)	(380,740)
Interest expense	2,023,639	2,227,129
Other Changes in Unrestricted Net Assets		
Change in fair value of interest rate swaps designated as hedging instruments	$ 530,481	$ 66,410
Reclassification of accumulated losses on interest rate swaps	380,740	380,740

Note 14 - Commitments

The Organization has entered into several agreements that are accounted for as unconditional and conditional promises to give money to others. Unconditional promises to give are recorded as other current and noncurrent liabilities in the consolidated balance sheets and totaled approximately $522,000 and $614,000 at June 30, 2013 and 2012, respectively.

The Organization has entered into physician guarantee contracts and professional service contracts that are considered exchange transactions resulting in purchase commitments.

A summary of outstanding commitments under unconditional promises to give, conditional promises to give, physician guarantee contracts, and purchase commitments is as follows:

Years Ending June 30,	
2014	$ 4,522,749
2015	3,157,416
2016	3,088,250
2017	2,848,000
2018	1,953,000
Thereafter	2,000,000
	$ 17,569,415

During 2013, the Organization entered into an agreement under which the owner of a noncontrolling interest in a subsidiary may, but is not required to, compel the Organization to purchase the noncontrolling interest at fair market value based on the terms of the agreement. This agreement is subject to an initial term of five years, with a renewal period of an additional five years.

Note 15 - Temporarily and Permanently Restricted Net Assets

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

	2013	2012
Interest in Foundation, consisting of investment held to support various programs and capital projects, including hospice, hospitality center, and others	$ 11,590,650	$ 9,934,388

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

	2013	2012
Interest in Foundation, consisting of investments to be held in perpetuity, the income from which is expendable to support various health care services	$ 2,631,677	$ 2,141,642

Note 16 - Endowment

The Organization's endowment consists of a portion of its interest in the net assets of 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 $2,631,677 and $2,141,642 at June 30, 2013 and 2012, respectively. The Organization currently does not have any board-designated endowment funds.

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

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

Endowment net assets, June 30, 2011	$ 2,021,909
Change in interest in net assets of Avera Health Foundation	119,733
Endowment net assets, June 30, 2012	2,141,642
Change in interest in net assets of Avera Health Foundation	490,035
Endowment net assets, June 30, 2013	$ 2,631,677

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are 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 17 - 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	$ 41,533,632	$ 38,438,383
Professional and general liability	1,690,681	1,610,172
Workers' compensation	2,521,011	2,101,151
	$ 45,745,324	$ 42,149,706

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 18 - Employee Benefit Plans

Eligible employees of Avera McKennan participate in either 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") or 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, the Organization contributed $11,814,498, and $9,927,680, 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, the Organization contributed $3,753,503, and $3,182,561, respectively, to the Cash Balance plan.

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

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	6,469,585
		$ 323,875,178	$ 357,408,444	$ 22,297,729

Defined Contribution Pension Plans

Eligible employees that participate in the Defined Benefit Pension Plan – Cash Balance also participate in a defined contribution pension plan ("403(b) Plan"). Under the 403(b) Plan, participant contributions are matched up to 2% of eligible employee compensation. The Organization recognized total 403(b) Plan contribution costs of $4,292,702 and $3,773,064 as part of employee benefits for the years ended June 30, 2013 and 2012.

A consolidated subsidiary of the Organization sponsors a defined contribution retirement savings plan (the "401(k) Plan"), which covers all employees of the consolidated subsidiary. The 401(k) Plan allows eligible employees to contribute from 1% to 50% of their annual compensation on a pretax basis, up to the annual limit determined by the IRS. The consolidated subsidiary, at its discretion, may make an annual contribution of up to 40% of an employee's pretax contributions, up to a maximum of 6% of compensation. The expense related to the employer's share of the 401(k) Plan contributions totaled $368,921 and $311,911 during the years ended June 30, 2013 and 2012.

Note 19 - 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 the Avera Health related organizations were as follows for the years ended June 30, 2013 and 2012:

	2013	2012
Payments to (from) related organizations recorded by the Organization:		
Equity transfers	$ 3,467,243	$ (755,783)
Revenues	(2,623,842)	(1,833,978)
Management and other	42,302,962	34,894,523
Employee benefit programs	57,101,633	51,548,623
Professional liability and workers' compensation insurance programs	4,211,692	3,711,323
Interest expense	4,887,753	708,971
Balance sheet items:		
Due from related party	1,250,000	1,250,000
Prepaid expenses	5,927,237	2,830,576
Other receivables	6,713,154	2,289,845
Custodial funds*	4,780,709	18,060,187
Accounts payable	(8,809,856)	(4,684,344)
Long-term debt (including current portion)*	(176,302,560)	(180,350,054)
Interest payable	(511,562)	(546,951)

* Custodial funds includes Avera McKennan's share of new project funds from the Series 2012A Obligated Group financing. The related long-term debt shown above includes Avera McKennan's share of the 2012 Obligated Group financing discussed in Note 2 and Note 11.

Note 20 - Contingencies

Malpractice Insurance

As discussed in Note 17, the Organization participates in a self-insured professional liability and general liability program which provides malpractice and general insurance coverage for professional and general liability losses subject to a self-insured retention of $2 million per claim and $6 million annual aggregate. The Organization is also insured under an excess umbrella liability claims-made policy with a limit of $35 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured subject to the self-insured retention only.

Litigation, Regulatory and Compliance Matters

The health care 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 health care 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 health care 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 21 - 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, was as follows:

	2013	2012
Medicare	31%	29%
Blue Cross	16%	15%
Medicaid	8%	9%
Commercial insurance	4%	6%
Other third-party payors, patients and residents	41%	41%
	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 22 - Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Health care services	$ 659,972,432	$ 608,151,981
General and administrative	126,002,465	114,091,717
Fundraising	768,964	770,337
	$ 786,743,861	$ 723,014,035

Note 23 - Subsequent Events

Effective July 1, 2013, the Organization transferred the assets and liabilities of a medical clinic practice to a related party. This transfer resulted in a decrease in assets of $12.0 million, a decrease in liabilities of $13.2 million, and an increase in net assets of $1.2 million.

During July 2013, the Organization entered into a contract for the construction of a medical clinic. The estimated cost to complete the project is $9.2 million.

On September 30, 2013, a consolidated subsidiary of the Organization refinanced a note payable which was scheduled to mature in December 2015, extending the maturity to September 2020. The interest rate swap that was in place related to the debt was also extended.

The Organization has evaluated subsequent events through October 9, 2013, the date which the financial statements were available to be issued.