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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
AVERA ST MARY'S

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
801 EAST SIOUX AVENUE

City or town, state or country, and ZIP + 4
PIERRE, SD 57501

D Employer identification number
46-0230199

E Telephone number
(605) 224-3130

G Gross receipts $ 53,138,490

F Name and address of principal officer
PAUL EBMEIER
801 EAST SIOUX AVENUE
PIERRE, SD 57501

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 AVERA ORG/ST-MARYS-PIERRE

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

L Year of formation 1951

M State of legal domicile SD

Part I Summary

1 Briefly describe the organization's mission or most significant activities
AVERA ST MARY'S SERVES THE COMMUNITY ON A NON-DISCRIMINATORY BASIS THROUGH ITS GENERAL HOSPITAL, LONG-TERM CARE FACILITIES AND 24-HOUR EMERGENCY CARE SERVICES

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	10
5	Total number of individuals employed in calendar year 2012 (Part V, line 2a)	**5**	661
6	Total number of volunteers (estimate if necessary)	**6**	111
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	17,254
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	16,254

		Prior Year	Current Year
Revenue **8**	Contributions and grants (Part VIII, line 1h)	129,050	0
9	Program service revenue (Part VIII, line 2g)	44,851,370	51,887,350
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,260,643	1,113,330
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	347,110	137,810
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	46,588,173	53,138,490
Expenses **13**	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	47,683	2,468
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)	20,240,984	22,132,338
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	21,731,728	27,559,580
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	42,020,395	49,694,386
19	Revenue less expenses Subtract line 18 from line 12	4,567,778	3,444,104

		Beginning of Current Year	End of Year
Net Assets or Fund Balances **20**	Total assets (Part X, line 16)	80,703,661	60,526,872
21	Total liabilities (Part X, line 26)	7,613,867	20,078,675
22	Net assets or fund balances Subtract line 21 from line 20	73,089,794	40,448,197

Part II Signature Block

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

Sign Here

****** | 2014-05-13
Signature of officer | Date

PAUL EBMEIER CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
KIM HUNWARDSEN CPA		2014-05-13		P00484560

Firm's name ▶ EIDE BAILLY LLP | Firm's EIN ▶ 45-0250958

Firm's address ▶ 800 NICOLLET MALL STE 1300
MINNEAPOLIS, MN 554027033 | Phone no (612) 253-6500

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☑ Yes ☐ No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☑ No

If "Yes," describe these changes on Schedule O

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

4a (Code) (Expenses $ 45,381,096 including grants of $ 2,468) (Revenue $ 51,887,350)

AVERA ST MARY'S IS LISTED IN THE OFFICIAL CATHOLIC DIRECTORY IT IS A TAX EXEMPT 501(C)(3) ORGANIZATION OPERATED AS A MINISTRY OF THE CATHOLIC CHURCH EFFECTIVE JANUARY 1, 2013, AVERA ST MARY'S BECAME AFFILIATED WITH AVERA HEALTH THE HOSPITAL SERVES ALL PERSONS IN THE COMMUNITY ON A NON-DISCRIMINATORY BASIS AVERA ST MARY'S OPERATES AN EMERGENCY ROOM THAT IS OPEN TO ALL PERSONS REGARDLESS OF ABILITY TO PAY AVERA ST MARY'S HAS AN OPEN MEDICAL STAFF WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS IN THE AREA THE GOVERNING BODY IS COMPRISED OF PRIMARILY INDEPENDENT INDIVIDUALS, REPRESENTATIVE OF THE COMMUNITY AS A WHOLE AVERA ST MARY'S PROVIDES EDUCATION AND TRAINING OPPORTUNITIES TO HEALTHCARE STUDENTS ENROLLED IN THE LOCAL COLLEGE CAPITAL UNIVERSITY CENTER AVERA ST MARY'S PARTICIPATES IN MEDICAID, MEDICARE, CHAMPUS, TRICARE AND/OR OTHER GOVERNMENT SPONSORED HEALTH CARE PROGRAMS

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

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

4d Other program services (Describe in Schedule O)

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

4e **Total program service expenses** ▶ 45,381,096

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		No
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		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b	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**		No
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**		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	**23**	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25*	**24a**		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	**24b**		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	**24c**		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	**24d**		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	**26**	Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? *If "Yes," complete Schedule L, Part III*	**27**		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	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**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**		No
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	2		
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	661		
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**	13		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**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** Yes	
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 ▶TOM WAGNER 801 EAST SIOUX AVENUE PIERRE, SD (605) 224-3127

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

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

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

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) WILLIAM VAN CAMP CHAIR	2 00 1 00	X		X				0	0	0
(2) COLLEEN LAMB VICE CHAIR	2 00 1 00	X		X				0	0	0
(3) JANET CRONIN SECRETARY	2 00 1 00	X		X				0	0	0
(4) RONALD TEDROW TREASURER	2 00 1 00	X		X				0	0	0
(5) TERRY FITZKE SECRETARY/TREASURER	4 00 1 00	X		X				0	0	0
(6) SISTER MARY JAEGER BOARD MEMBER	2 00 8 00	X						0	0	0
(7) JEFFREY DROP BOARD MEMBER/SRVP OPERATIONS	2 00 40 00	X						0	606,105	98,149
(8) JOE VILLA BOARD MEMBER	2 00 1 00	X						0	0	0
(9) MIKEL HOLLAND BOARD MEMBER	2 00 40 00	X						0	291,943	5,000
(10) OWEN GARNOS BOARD MEMBER	2 00 1 00	X						0	0	0
(11) PEGGY WILLIAMS BOARD MEMBER	2 00 1 00	X						0	0	0
(12) SISTER SANDRA MEEK BOARD MEMBER	2 00 1 00	X						0	0	0
(13) SISTER KATHLEEN CROWLEY BOARD MEMBER	2 00 9 50	X						0	0	0
(14) DICK MOLSEED BOARD MEMBER/EXEC VP STRATEGY	2 00 40 00	X						0	351,883	31,541
(15) BOB SUTTON BOARD MEMBER	2 00 1 00	X						0	0	0
(16) JOSEPH MESSMER PRESIDENT & CEO	40 00 40 00			X				0	300,163	33,096
(17) TOM WAGNER CFO	50 00 0 00			X				129,574	0	16,010

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) DEBBIE BRAKKE VP QA/RISK MANAGEMENT	50 00 0 00			X				128,542	0	27,674
(19) ELLEN LEE VP ADMINISTRATION	50 00 0 00			X				139,874	0	28,679
(20) PAUL MARSO VP HUMAN RESOURCES	50 00 0 00			X				123,387	0	33,846
(21) ROBIN CRIST VP NURSING	50 00 0 00			X				143,071	0	18,270
(22) KARL RICHARDS CLINICAL ADMINISTRATOR AMGP	0 00 50 00			X				0	34,642	5,418
(23) KAREN GALLAGHER EXECUTIVE DIRECTOR MISSION	50 00 0 00			X				130,580	0	29,440
(24) MARK SCHMIDT EXECUTIVE DIRECTOR LONG TERM CARE	20 00 30 00			X				142,207	0	34,969
(25) CHRISTOPHER OLSON CNA	40 00 0 00					X		217,167	0	26,807
(26) DAWN ZASTOUPIL CNA	40 00 0 00					X		203,771	0	35,210
(27) KEVIN ROARK CNA	40 00 0 00					X		193,784	0	25,026
(28) SANDRA JACOBSON DIRECTOR PHARMACY	40 00 0 00					X		137,028	0	29,649
(29) STEVEN CASE PHARMACIST/PHARMACY	40 00 0 00					X		140,739	0	33,676
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								1,829,724	1,584,736	512,460

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 ▶ 14

			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**		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *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
CAPITAL CITY PHYSICIANS 800 E DAKOTA PIERRE SD 57501	PHYSICIAN COVERAGE	1,286,550
AVERA MCKENNAN PO BOX 5045 SIOUX FALLS SD 571175045	PHYSICIAN COVERAGE	548,982
AVERA HEALTH 3900 WEST AVERA DRIVE SIOUX FALLS SD 57108	SHARED SERVICES	473,751
ALL ABOUT STAFFING 1000 SAWGRASS CORPORATE PARKWAY 6T SUNRISE FL 33323	CONTRACT STAFF	457,636
THERESA SIMMONS , 4102 HACKAMORE COURT GILLETTE WY 82718	CRNA	309,921

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 ▶ 11

Part VIII Statement of Revenue

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

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c				
	d	Related organizations . . . 1d				
	e	Government grants (contributions) 1e				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f				
	g	Noncash contributions included in lines 1a-1f $				
	h	**Total.** Add lines 1a-1f . . . . . ▶				
Program Service Revenue		Business Code				
	2a	PATIENT SERVICE REVENUE 621110	51,138,561	51,138,561		
	b	MISCELLANEOUS REVENUE 900099	676,073	658,819	17,254	
	c	CAFETERIA REVENUE 900099	72,716	72,716		
	d					
	e					
	f	All other program service revenue				
	g	**Total.** Add lines 2a–2f . . . . . ▶	51,887,350			
	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶	417,487			417,487
	4	Income from investment of tax-exempt bond proceeds . . ▶				
	5	Royalties . . . . . ▶				
		(i) Real / (ii) Personal				
	6a	Gross rents 137,810				
	b	Less rental expenses 0				
	c	Rental income or (loss) 137,810				
	d	Net rental income or (loss) . . . . . ▶	137,810			137,810
		(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory 695,343 / 500				
	b	Less cost or other basis and sales expenses 0 / 0				
	c	Gain or (loss) 695,343 / 500				
	d	Net gain or (loss) . . . . . ▶	695,843			695,843
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					
	b					
	c					
	d	All other revenue				
	e	**Total.** Add lines 11a–11d . . . . . ▶				
	12	**Total revenue.** See Instructions . . . . . ▶	53,138,490	51,870,096	17,254	1,251,140

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	2,468	2,468		
2 Grants and other assistance to individuals in the United States See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,126,122		1,126,122	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	49,130	49,130		
7 Other salaries and wages	15,061,615	13,944,018	1,117,597	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,114,243	1,098,551	15,692	
9 Other employee benefits	3,222,591	2,979,125	243,466	
10 Payroll taxes	1,558,637	1,397,738	160,899	
11 Fees for services (non-employees)				
a Management				
b Legal	62,107		62,107	
c Accounting				
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees				
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	8,990,964	8,320,070	670,894	
12 Advertising and promotion	142,934	4,413	138,521	
13 Office expenses	2,241,640	2,117,083	124,557	
14 Information technology				
15 Royalties . .				
16 Occupancy	1,104,554	1,033,643	70,911	
17 Travel	123,517	72,713	50,804	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	80,225		80,225	
20 Interest	185,817	185,817		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,642,245	2,597,039	45,206	
23 Insurance	149,074	146,540	2,534	
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	5,572,798	5,572,798		
b BAD DEBT EXPENSE	3,327,940	3,327,940		
c REPAIRS AND MAINTENANCE	686,749	291,494	395,255	
d UNRELATED BUSINESS TAXE	8,500		8,500	
e All other expenses	2,240,516	2,240,516		
25 **Total functional expenses.** Add lines 1 through 24e	49,694,386	45,381,096	4,313,290	0
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ 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		1,100	1	
	2	Savings and temporary cash investments		3,497,763	2	13,656,128
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		7,113,335	4	12,502,781
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			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		160,074	6	210,608
	7	Notes and loans receivable, net		152,651	7	216,861
	8	Inventories for sale or use		1,174,288	8	1,334,490
	9	Prepaid expenses and deferred charges		41,980	9	233,253
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 64,340,602			
	b	Less accumulated depreciation	10b 46,930,560	19,333,161	10c	17,410,042
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11		46,448,226	12	14,962,709
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		2,781,083	15	
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		80,703,661	16	60,526,872
Liabilities	17	Accounts payable and accrued expenses		4,979,043	17	6,348,536
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	9,953,635
	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		2,634,824	25	3,776,504
	26	**Total liabilities.** Add lines 17 through 25		7,613,867	26	20,078,675
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		73,148,543	27	40,448,197
	28	Temporarily restricted net assets		-58,749	28	0
	29	Permanently restricted net assets			29	
		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		73,089,794	33	40,448,197
	34	Total liabilities and net assets/fund balances		80,703,661	34	60,526,872

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	53,138,490
2	Total expenses (must equal Part IX, column (A), line 25)	2	49,694,386
3	Revenue less expenses Subtract line 2 from line 1	3	3,444,104
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	73,089,794
5	Net unrealized gains (losses) on investments	5	2,068,035
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	-9,322,402
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-28,831,334
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	40,448,197

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: 46-0230199
Name: AVERA ST MARY'S

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			
WILLIAM VAN CAMP CHAIR	2 00 1 00	X		X				0	0	0
COLLEEN LAMB VICE CHAIR	2 00 1 00	X		X				0	0	0
JANET CRONIN SECRETARY	2 00 1 00	X		X				0	0	0
RONALD TEDROW TREASURER	2 00 1 00	X		X				0	0	0
TERRY FITZKE SECRETARY/TREASURER	4 00 1 00	X		X				0	0	0
SISTER MARY JAEGER BOARD MEMBER	2 00 8 00	X						0	0	0
JEFFREY DROP BOARD MEMBER/SRVP OPERATIONS	2 00 40 00	X						0	606,105	98,149
JOE VILLA BOARD MEMBER	2 00 1 00	X						0	0	0
MIKEL HOLLAND BOARD MEMBER	2 00 40 00	X						0	291,943	5,000
OWEN GARNOS BOARD MEMBER	2 00 1 00	X						0	0	0
PEGGY WILLIAMS BOARD MEMBER	2 00 1 00	X						0	0	0
SISTER SANDRA MEEK BOARD MEMBER	2 00 1 00	X						0	0	0
SISTER KATHLEEN CROWLEY BOARD MEMBER	2 00 9 50	X						0	0	0
DICK MOLSEED BOARD MEMBER/EXEC VP STRATEGY	2 00 40 00	X						0	351,883	31,541
BOB SUTTON BOARD MEMBER	2 00 1 00	X						0	0	0
JOSEPH MESSMER PRESIDENT & CEO	40 00 40 00			X				0	300,163	33,096
TOM WAGNER CFO	50 00 0 00			X				129,574	0	16,010
DEBBIE BRAKKE VP QA/RISK MANAGEMENT	50 00 0 00			X				128,542	0	27,674
ELLEN LEE VP ADMINISTRATION	50 00 0 00			X				139,874	0	28,679
PAUL MARSO VP HUMAN RESOURCES	50 00 0 00			X				123,387	0	33,846
ROBIN CRIST VP NURSING	50 00 0 00			X				143,071	0	18,270
KARL RICHARDS CLINICAL ADMINISTRATOR AMGP	0 00 50 00			X				0	34,642	5,418
KAREN GALLAGHER EXECUTIVE DIRECTOR MISSION	50 00 0 00			X				130,580	0	29,440
MARK SCHMIDT EXECUTIVE DIRECTOR LONG TERM CARE	20 00 30 00			X				142,207	0	34,969
CHRISTOPHER OLSON CNA	40 00 0 00					X		217,167	0	26,807

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			
DAWN ZASTOUPIL CNA	40 00 0 00					X		203,771	0	35,210
KEVIN ROARK CNA	40 00 0 00					X		193,784	0	25,026
SANDRA JACOBSON DIRECTOR PHARMACY	40 00 0 00					X		137,028	0	29,649
STEVEN CASE PHARMACIST/PHARMACY	40 00 0 00					X		140,739	0	33,676

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST MARY'S

Employer identification number
46-0230199

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

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

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

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

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

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

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

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

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

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

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

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

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

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Non-functionally integrated

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

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

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

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

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

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (see instructions) **12**

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2011 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2012.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2011.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶☐

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

Section A. Public Support

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

Section B. Total Support

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

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

Section C. Computation of Public Support Percentage

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

Section D. Computation of Investment Income Percentage

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

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

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

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

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

Facts And Circumstances Test

Explanation

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SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2012

Open to Public Inspection

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

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

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

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

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

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

Name of the organization	**Employer identification number**
AVERA ST MARY'S	46-0230199

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $ _____

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $ _____

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ **Yes** ☐ **No**

4a Was a correction made? ☐ **Yes** ☐ **No**

b If "Yes," describe in Part IV

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

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

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $ _____

3 Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b ▶ $ _____

4 Did the filing organization file **Form 1120-POL** for this year? ☐ **Yes** ☐ **No**

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

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

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

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

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

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

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

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

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

Lobbying Expenditures During 4-Year Averaging Period

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

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

	For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		2,434
j	Total Add lines 1c through 1i			2,434
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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

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

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST MARY'S

Employer identification number
46-0230199

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

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

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

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

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

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a ☐ Public exhibition
- b ☐ Scholarly research
- c ☐ Preservation for future generations
- d ☐ Loan or exchange programs
- e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table

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

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

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

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

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

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

- a Board designated or quasi-endowment ▶
- b Permanent endowment ▶
- c Temporarily restricted endowment ▶

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

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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,765,571		1,765,571
b Buildings		26,263,869	17,869,987	8,393,882
c Leasehold improvements				
d Equipment		34,775,117	27,919,246	6,855,871
e Other		1,536,045	1,141,327	394,718
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				17,410,042

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 INVESTMENT FUND	14,764,176	F
(B) INVESTMENTS IN AFFILIATED ORGANIZATIONS	198,533	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	14,962,709	

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

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

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

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

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

1 (a) Description of liability	(b) Book value
Federal income taxes	
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	1,660,113
RELATED PARTY PAYABLES	2,116,391
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	3,776,504

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

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

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

Part XIII Supplemental Information

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

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	AVERA HEALTH AND MOST OF ITS SPONSORED ORGANIZATIONS ARE CONSIDERED NONPROFIT CORPORATIONS AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND ARE EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE THESE ORGANIZATIONS ARE REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE INTERNAL REVENUE SERVICE (IRS) AVERA HEALTH AND CERTAIN SPONSORED ORGANIZATIONS ALSO FILE AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT THEIR UNRELATED BUSINESS TAXABLE INCOME AVERA HEALTH AND ITS SPONSORED ORGANIZATIONS BELIEVE THAT THEY HAVE APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED THE FEDERAL FORM 990T FILINGS FOR CONSOLIDATED SUBSIDIARIES ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2010

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST MARY'S

Employer identification number
46-0230199

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)			221,241		221,241	0 480 %
b Medicaid (from Worksheet 3, column a)			3,852,211	1,732,147	2,120,064	4 570 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			4,073,452	1,732,147	2,341,305	5 050 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			16,340		16,340	0 040 %
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)			2,379,293		2,379,293	5 130 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			165,759		165,759	0 360 %
j **Total.** Other Benefits			2,561,392		2,561,392	5 530 %
k **Total.** Add lines 7d and 7j			6,634,844	1,732,147	4,902,697	10 580 %

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

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

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

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	3,327,940		
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	11,991,187		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	14,666,728		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-2,675,541		
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?
1

	Name, address, and primary website address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	AVERA ST MARY'S 801 EAST SIOUX AVENUE PIERRE, SD 57501 WWW AVERA ORG/ST-MARYS-PIERRE/	X	X					X		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 ST MARY'S

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)*

			Yes	No
Financial Assistance Policy				
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	**9**	Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care?	**10**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for free care 150 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
11	Used FPG to determine eligibility for providing *discounted* care?	**11**	Yes	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care 400 000000000000% If "No," explain in Part VI the criteria the hospital facility used			
12	Explained the basis for calculating amounts charged to patients?	**12**	Yes	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☑ Income level			
b	☑ Asset level			
c	☑ Medical indigency			
d	☑ Insurance status			
e	☑ Uninsured discount			
f	☑ Medicaid/Medicare			
g	☑ State regulation			
h	☐ Other (describe in Part VI)			
13	Explained the method for applying for financial assistance?	**13**	Yes	
14	Included measures to publicize the policy within the community served by the hospital facility?	**14**	Yes	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☑ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☐ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☑ The policy was available upon request			
g	☑ Other (describe in Part VI)			
Billing and Collections				
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	**15**	Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP?	**17**		No
	If "Yes," check all actions in which the hospital facility or a third party engaged			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other similar actions (describe in Part VI)			

Part V Facility Information *(continued)*

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

- **a** ☑ Notified individuals of the financial assistance policy on admission
- **b** ☑ Notified individuals of the financial assistance policy prior to discharge
- **c** ☑ Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- **d** ☑ Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Part VI)

Policy Relating to Emergency Medical Care

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

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

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

Part V Facility Information *(continued)*

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?
2

	Name and address	Type of Facility (describe)
1	AVERA PARKWOOD INDEPENDENT LIVING FACILI 400 PARKWOOD DRIVE PIERRE,SD 57501	INDEPENDENT LIVING
2	MARYHOUSE 400 PARKWOOD DRIVE PIERRE,SD 57501	LONG TERM CARE
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 AVERA ST MARY'S USED HUD LOW INCOME GUIDELINES FOR DETERMINING FREE AND DISCOUNTED CARE FOR JULY THRU DECEMBER 2012 WHILE THEY WERE A PART OF CHI AVERA ST MARY'S ADOPTED AVERA'S FINANCIAL ASSISTANCE POLICY AFTER BECOMING A MEMBER OF AVERA HEALTH ON JANUARY 1, 2013 AVERA USES FPG TO DETERMINE FREE AND DISCOUNTED CARE PATIENTS WITH INCOME LESS THAN 400% OF THE POVERTY GUIDELINES ARE ELIGIBLE FOR FINANCIAL ASSISTANCE THE ORGANIZATION HAS A GRID THAT LOOKS AT INCOME, ASSETS AND BALANCE OF CURRENT MEDICAL CLAIMS TO DETERMINE ELIGIBILITY BASED UPON A SLIDING SCALE IT IS POSSIBLE TO RECEIVE ASSISTANCE FROM ZERO TO 100%
		PART I, LINE 6A THE COMMUNITY BENEFIT REPORT IS POSTED ON OUR WEB SITE AT WWW AVERA ORG/ST-MARYS-PIERRE

Identifier	ReturnReference	Explanation
		PART I, LINE 7 CHARITY CARE AND UNREIMBURSED MEDICAID WAS CONVERTED TO COST USING THE OVERALL COST TO CHARGE RATIO IN IRS WORKSHEET 2 THE AMOUNTS ON LINES 7E AND 7I REPRESENT EXPENSES REPORTED IN THE GENERAL LEDGER LINE 7G IS FROM THE COST REPORT
		PART I, L7 COL(F) THE AMOUNT OF BAD DEBT EXPENSE REMOVED FROM TOTAL EXPENSES TO DETERMINE THE PERCENTAGE WAS $3,327,940

Identifier	ReturnReference	Explanation
		PART III, LINE 4 BAD DEBT IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF REDUCES BAD DEBT EXPENSE IN THE CURRENT YEAR AVERA ST MARY'S DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SINCE EVALUATIONS ARE COMPLETED TO DETERMINE THOSE AMOUNTS DUE AND WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS FOLLOWING THE EVALUATION OF THE AMOUNT NOTE 1 ON PAGE 9 OF THE FINANCIAL STATEMENTS DESCRIBES BAD DEBT EXPENSE
		PART III, LINE 8 MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CENTERS FOR MEDICARE AND MEDICAID SERVICES AVERA ST MARY'S FOLLOWS THE CHA GUIDELINES IN REPORTING COMMUNITY BENEFITS AND THEREFORE ANY MEDICARE SHORTFALL (AS CALCULATED INCLUDING OUR NON-COST REPORT ENTITIES) IS EXCLUDED FROM OUR COMMUNITY BENEFIT REPORT HOWEVER, MEDICARE IS THE ORGANIZATION'S LARGEST PAYER AND PATIENTS WITH MEDICARE COVERAGE ARE ACCEPTED REGARDLESS OF WHETHER OR NOT A SURPLUS OR DEFICIT IS REALIZED FROM PROVIDING THE SERVICES THIS BASIS THEREFORE MEANS PROVIDING MEDICARE SERVICES PROMOTES ACCESS TO HEALTHCARE SERVICES WHICH IS A KEY ADVANTAGE FOR OUR COMMUNITY

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF THE PATIENT QUALIFIES FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME, UNINSURED PATIENTS AND IS COOPERATING WITH THE ORGANIZATION WITH REGARD TO EFFORTS TO SETTLE AN OUTSTANDING BILL WITHIN A REASONABLE TIME PERIOD, THE ORGANIZATION OR ITS AGENT SHALL NOT SEND, NOR INDICATE THAT IT WILL SEND, THE UNPAID BILL TO ANY OUTSIDE COLLECTION AGENCY AT SUCH TIME AS THE ORGANIZATION SENDS THE UNCOLLECTED ACCOUNT TO AN OUTSIDE COLLECTION AGENCY, THE AMOUNT REFERRED TO THE AGENCY SHALL REFLECT THE REDUCED-PAYMENT LEVEL FOR WHICH THE PATIENT WAS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME UNINSURED PATIENTS AVERA ST MARY'S DOES NOT REPORT ANY DATA TO ANY OF THE CREDIT AGENCIES, HOWEVER, THE COLLECTION AGENCIES AVERA ST MARY'S UTILIZES MAY REPORT TO THE CREDIT AGENCIES ANY EXTENDED PAYMENT PLANS OFFERED BY THE HOSPITAL, OR THE HOSPITAL'S REPRESENTATIVE, IN SETTLING THE OUTSTANDING BILLS OF PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SHALL BE INTEREST-FREE SO LONG AS THE REPAYMENT SCHEDULE IS MET
AVERA ST MARY'S		PART V, SECTION B, LINE 3 AVERA ST MARY'S GATHERED INFORMATION REGARDING THE NEEDS OF THE COMMUNITY THROUGH A THREE-PRONGED PROCESS, INCLUDING SURVEYING THE COMMUNITY AS A WHOLE AT A LARGE COMMINITY EVENT, INTERVIEWING COMMUNITY LEADERS, AND HOLDING FOCUS GROUPS AVERA ST MARY'S ENSURED TO INCLUDE THE FOLLOWING GROUPS IN THEIR INFORMATION GATHERING HEALTH LEADERS WITH IN-DEPTH KNOWLEDGE OF THE LOCAL HEALTH CARE ENVIRONMENT, GOVERNMENT, BUSINESS, RETIRED, SOUTH DAKOTA STATE DEPARTMENTS OF HEALTH AND SOCIAL SERVICES, URBAN INDIAN HEALTH, AND RURAL HEALTH CLINICS

Identifier	ReturnReference	Explanation
AVERA ST MARY'S		PART V, SECTION B, LINE 5C THE CHNA IS AVAILABLE AT THE FOLLOWING WEBSITE HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/
AVERA ST MARY'S		PART V, SECTION B, LINE 6I THE IMPLEMENTATION STRATEGY IS AVAILABLE AT THE FOLLOWING WEBSITE HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/

Identifier	ReturnReference	Explanation
AVERA ST MARY'S		PART V, SECTION B, LINE 7 ISSUES THAT WERE MENTIONED IN THE ASSESSMENT AND NO ACTION TAKEN ARE SHORT TERM SHELTER FACILITY FOR THOSE OF LIMITED MEANS, DIVERSE CULTURAL NEEDS, DETOX FACILITIES AND PROGRAMS, BARRIERS (HOURS, AFFORDABILITY, AND AVAILABILITY) THE SHELTER AND DETOX HAVE BEEN STUDIED BY VARIOUS GROUPS IN THE PAST AND THE END RESULT HAS BEEN LACK OF SUSTAINABLE FINANCING UNTIL THERE IS A SUSTAINABLE PLAN, WE ARE UNABLE TO ADDRESS THIS IN THE NEXT FEW YEARS HOWEVER, BY FURTHER DEVELOPING MENTAL HEATH, WE BELIEVE THAT BOTH OF THESE NEEDS WILL BE FURTHER DEVELOPED IN THE PLANNING AND ACTION PROCESSES CULTURAL NEEDS IS MUCH MORE THAN JUST ONE NEED AND SIMPLE SOLUTION WE ARE PLANNING THAT THE KEY NEEDS WE ARE ADDRESSING WILL INCLUDE INPUT AND PARTICIPATION BY AND WITH THE NATIVE AMERICAN COMMUNITY
AVERA ST MARY'S		PART V, SECTION B, LINE 11 AVERA ST MARY'S USED HUD LOW INCOME GUIDELINES FOR DETERMINING FREE AND DISCOUNTED CARE FOR JULY THRU DECEMBER 2012 WHILE THEY WERE A PART OF CHI AVERA ST MARY'S ADOPTED AVERA'S FINANCIAL ASSISTANCE POLICY AFTER BECOMING A MEMBER OF AVERA HEALTH ON JANUARY 1, 2013 AVERA USES FPG TO DETERMINE FREE AND DISCOUNTED CARE PATIENTS WITH INCOME LESS THAN 400% OF THE POVERTY GUIDELINES ARE ELIGIBLE FOR FINANCIAL ASSISTANCE THE ORGANIZATION HAS A GRID THAT LOOKS AT INCOME, ASSETS AND BALANCE OF CURRENT MEDICAL CLAIMS TO DETERMINE ELIGIBILITY BASED UPON A SLIDING SCALE IT IS POSSIBLE TO RECEIVE ASSISTANCE FROM ZERO TO 100%

Identifier	ReturnReference	Explanation
AVERA ST MARY'S		PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED IN THE HOSPITAL FACILITY'S EMERGENCY ROOMS, WAITING ROOMS, AND ADMISSIONS OFFICE AND INCLUDED IN THE BILLING STATEMENT IN ADDITION, THE FINANCIAL ASSISTANCE POLICY IS DISCUSSED WITH THE PATIENT UPON ADMISSION TO THE FACILITY
AVERA ST MARY'S		PART V, SECTION B, LINE 22 INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE ARE NOT CHARGED GROSS CHARGES FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE, HOWEVER MAY BE CHARGED GROSS CHARGES FOR ELECTIVE CARE

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 THE COMMUNITY HEALTH NEEDS ASSESSMENT WAS A THREE-PRONGED PROCESS TO GATHER STAKEHOLDER INFORMATION ON COMMUNITY PERCEPTIONS OF THE HEALTH OF CENTRAL SOUTH DAKOTA WHICH INCLUDED A SURVEY AT A LARGE FARM/HOME SHOW IN FEBRUARY, 2013, INTERVIEWS WITH IDENTIFIED COMMUNITY LEADERS, AND SEVERAL FOCUS GROUPS THE COMMUNITY HEALTH NEEDS ASSESSEMENT FOR AVERA ST MARY'S WAS COMPLETED AND POSTED TO THEIR WEBSITE BY JUNE 30, 2013
		PART VI, LINE 3 AVERA ST MARY'S POSTS ITS CHARITY CARE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION IN ADMISSIONS AREAS, EMERGENCY ROOMS, AND OTHER AREAS OF THE ORGANIZATION'S FACILITIES IN WHICH ELIGIBLE PATIENTS ARE LIKELY TO BE PRESENT, (2) PROVIDES A COPY OF THE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS AS PART OF THE INTAKE PROCESS, (3) PROVIDES A COPY OF THE POLICY, OR A SUMMARY THEREOF, AND FINANCIAL ASSISTANCE CONTACT INFORMATION TO PATIENTS WITH DISCHARGE MATERIALS, (4) INCLUDES THE POLICY, OR A SUMMARY THEREOF, ALONG WITH FINANCIAL ASSISTANCE CONTACT INFORMATION, IN PATIENT BILLS, AND/OR (5) DISCUSSES WITH THE PATIENT THE AVAILABILITY OF VARIOUS GOVERNMENT BENEFITS, SUCH AS MEDICAID OR STATE PROGRAMS, AND ASSISTS THE PATIENT WITH QUALIFICATION FOR SUCH PROGRAMS, WHERE APPLICABLE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 AVERA ST MARY'S IS AN ACUTE CARE HOSPITAL SERVING A RURAL COMMUNITY AREA OF CENTRAL SOUTH DAKOTA THE ESTIMATED MEDIAN HOUSEHOLD INCOME IN 2011 WAS $56,525 THE PERCENTAGE OF RESIDENTS LIVING IN POVERTY IN 2011 WAS 9 5%
		PART VI, LINE 5 THE HOSPITAL SERVES ALL PERSONS IN THE COMMUNITY ON A NON-DISCRIMINATORY BASIS AVERA ST MARY'S OPERATES AN EMERGENCY ROOM THAT IS OPEN TO ALL PERSONS REGARDLESS OF ABILITY TO PAY AVERA ST MARY'S HAS AN OPEN MEDICAL STAFF WITH PRIVILEGES AVAILABLE TO ALL QUALIFIED PHYSICIANS IN THE AREA THE GOVERNING BODY IS COMPRISED OF PRIMARILY INDEPENDENT INVIDIVUALS, REPRESENTATIVE OF THE COMMUNITY AS A WHOLE AVERA ST MARY'S PROVIDES EDUCATION AND TRAINING OPPORTUNITIES TO HEALTHCARE STUDENTS ENROLLED IN THE LOCAL COLLEGE CAPITAL UNIVERSITY CENTER AVERA ST MARY'S PARTICIPATES IN MEDICAID, MEDICARE, CHAMPUS, TRICARE AND/OR OTHER GOVERNMENT SPONSORED HEALTH CARE PROGRAMS

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE COMMUNITIES IN WHICH AVERA OPERATES ALL HAVE UNIQUE HEALTH AND COMMUNITY BENEFIT NEEDS AND IN KEEPING WITH THE CATHOLIC HEALTHCARE ASSOCIATION GUIDELINES EACH HOSPITAL STRIVES TO MEET ITS COMMUNITY'S IDENTIFIED NEEDS THE AVERA CENTRAL OFFICE ADVOCATES FOR ALL ON COMMUNITY BENEFIT RELATED MATTERS OF STATE, REGIONAL AND NATION IMPORTANCE

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

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

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST MARY'S

Employer identification number
46-0230199

Part I Questions Regarding Compensation

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

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

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

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

(A) Name and Title	**(B)** Breakdown of W-2 and/or 1099-MISC compensation			**(C)** Retirement and other deferred compensation	**(D)** Nontaxable benefits	**(E)** Total of columns (B)(i)-(D)	**(F)** Compensation reported as deferred in prior Form 990
	(i) Base compensation	**(ii)** Bonus & incentive compensation	**(iii)** Other reportable compensation				
See Additional Data Table							

Part III Supplemental Information

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL INFORMATION	PART III	COMPENSATION REPORTED ON THE TAX RETURN FOR THE TOP MANAGEMENT OFFICIAL WAS ESTABLISHED AND PAID BY CATHOLIC HEALTH INITIATIVES (CHI), A RELATED ORGANIZATION AS IT REFLECTS COMPENSATION PAID IN CALENDAR YEAR 2012 WHEN THE ENTITY WAS AFFILIATED WITH CHI CHI USED THE FOLLOWING TO ESTABLISH THE TOP MANAGEMENT OFFICIAL'S COMPENSATION (1) COMPENSATION COMMITTEE, (2) INDEPENDENT COMPENSATION CONSULTANT, (3) WRITTEN EMPLOYMENT CONTRACTS, (4) COMPENSATION SURVEY OR STUDY, (5) APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE

Additional Data

Return to Form

Software ID:
Software Version:
EIN: 46-0230199
Name: AVERA ST MARY'S

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JEFFREY DROP	(I)	0	0	0	0	0	0	0
	(II)	400,149	146,277	59,679	76,703	21,446	704,254	0
MIKEL HOLLAND	(I)	0	0	0	0	0	0	0
	(II)	290,783	0	1,160	5,000	0	296,943	0
DICK MOLSEED	(I)	0	0	0	0	0	0	0
	(II)	282,651	0	69,232	13,475	18,695	384,053	0
JOSEPH MESSMER	(I)	0	0	0	0	0	0	0
	(II)	300,000	0	163	33,096	0	333,259	0
DEBBIE BRAKKE	(I)	108,274	20,001	267	15,465	12,209	156,216	0
	(II)	0	0	0	0	0	0	0
ELLEN LEE	(I)	117,885	21,524	465	15,842	12,837	168,553	0
	(II)	0	0	0	0	0	0	0
PAUL MARSO	(I)	102,250	20,725	412	14,404	19,442	157,233	0
	(II)	0	0	0	0	0	0	0
ROBIN CRIST	(I)	120,970	21,992	109	11,518	6,752	161,341	0
	(II)	0	0	0	0	0	0	0
KAREN GALLAGHER	(I)	109,492	20,987	101	16,444	12,996	160,020	0
	(II)	0	0	0	0	0	0	0
MARK SCHMIDT	(I)	119,068	23,021	118	15,331	19,638	177,176	0
	(II)	0	0	0	0	0	0	0
CHRISTOPHER OLSON	(I)	216,925	0	242	20,024	6,783	243,974	0
	(II)	0	0	0	0	0	0	0
DAWN ZASTOUPIL	(I)	203,662	0	109	16,405	18,805	238,981	0
	(II)	0	0	0	0	0	0	0
KEVIN ROARK	(I)	193,528	0	256	15,790	9,236	218,810	0
	(II)	0	0	0	0	0	0	0
SANDRA JACOBSON	(I)	136,371	0	657	16,664	12,985	166,677	0
	(II)	0	0	0	0	0	0	0
STEVEN CASE	(I)	140,647	0	92	14,708	18,968	174,415	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 ST MARY'S

Employer identification number
46-0230199

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

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

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

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) DR RILEY LAMB	FAMILY RELATIONSHIP WITH BOARD MEMBER	RELOCATION		X	210,608	210,608		No	Yes		Yes	
Total			▶ $			210,608						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) CAPITAL CITY PHYSICIANS LLC	OWNED BY BOARD MEMBER	1,286,550	PHYSICIAN SERVICES		No
(2) DEBORAH HOLLAND	FAMILY MEMBER OF BOARD MEMBER	49,130	COMPENSATION		No

Part V Supplemental Information

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

Identifier	Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST MARY'S

Employer identification number
46-0230199

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICES	FORM 990, PART III, LINE 2	A PROVIDER BASED CLINIC WAS ADDED MARCH 1, 2013

Identifier	Return Reference	Explanation
	FORM 990, PART V, LINE 1A	INDEPENDENT CONTRACTORS REPORTED RELATE TO SERVICES RECEIVED BY AVERA ST MARY'S, HOWEVER A RELATED ORGANIZATION FILES APPLICABLE FORM 1099S ON BEHALF OF THE ORGANIZATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 1	THE EXECUTIVE COMMITTEE, WHILE AFFILIATED WITH CHI, CONSISTED ONLY OF DIRECTORS OF THE CORPORATION AND WAS COMPOSED OF THE CHAIRPERSON OF THE BOARD, THE VICE CHAIRPERSON OF THE BOARD, AND THE PRESIDENT THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE CORPORATE MEMBER, EACH OF WHOM SERVED AS EX OFFICIO VOTING MEMBERS OF THE EXECUTIVE COMMITTEE. THE EXECUTIVE COMMITTEE HAD THE POWER TO TRANSACT THE ROUTINE BUSINESS OF THE CORPORATION IN THE INTERIM PERIODS BETWEEN REGULARLY SCHEDULED MEETINGS OF THE BOARD OF DIRECTORS, PROVIDED THAT THEIR ACTIONS ARE CONSISTENT WITH ANY ACTIONS OR POLICIES OF THE BOARD OR THE CORPORATE MEMBER ALL ACTIONS TAKEN WERE CONTEMPORANEOUSLY DOCUMENTED AND REPORTED TO THE BOARD AT THE EARLIEST MEETING AFTER AFFILIATING WITH AVERA HEALTH, THERE NO LONGER IS AN EXECUTIVE COMMITTEE.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	SISTER MARY JAEGER, SISTER KATHLEEN CROWLEY, JEFFREY DROP, DICK MOLSEED, AND BOB SUTTON HAVE BUSINESS RELATIONSHIPS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 4	A CHANGE OF SPONSORSHIP OCCURRED ON JANUARY 1, 2013 THE ORGANIZATION'S DOCUMENTS WERE AMENDED TO REFLECT AVERA HEALTH AS THE SOLE MEMBER

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	AS OF JANUARY 1, 2013, THE SOLE MEMBER OF THE ORGANIZATION IS AVERA HEALTH, A NONPROFIT CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF SOUTH DAKOTA AND EXEMPT UNDER 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED PRIOR TO JANUARY 1, 2013, THE SOLE MEMBER WAS CATHOLIC HEALTH INITIATIVES, A COLORADO NONPROFIT CORPORATION

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

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	AVERA HEALTH, AS THE SOLE MEMBER, HAS THE FOLLOWING RIGHTS AS OF JANUARY 1, 2013 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 PRIOR TO JANUARY 1, 2013, CHI AS SOLE MEMBER HAD COMPARABLE RIGHTS

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	ONCE THE RETURN IS PREPARED, THE RETURN IS REVIEWED BY THE CFO THE CFO PRESENTS THE RETURN TO THE BOARD AT A BOARD MEETING OR AN ELECTRONIC COPY OF THE RETURN IS SENT TO EACH BOARD MEMBER BY EMAIL FOR THEIR REVIEW

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	AS OF JANUARY 1, 2013, 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 PRIOR TO JANUARY 1, 2013, THE CONFLICT OF INTEREST POLICY COVERED ALL EMPLOYEES UNDER THE CHI STANDARDS OF CONDUCT 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	DURING THE ENTIRE FISCAL YEAR, THE ORGANIZATION'S CEO'S COMPENSATION WAS PAID BY CHI CHI HAD A DEFINED COMPENSATION PHILOSOPHY BOTH THE EXECUTIVE AND NON-EXECUTIVE COMPENSATION STRUCTURES AND RANGES ARE REVIEWED ANNUALLY IN COMPARISON TO MARKET DATA CHI USED THE HAY GROUP AS THE INDEPENDENT THIRD PARTY TO ASSESS EXECUTIVE COMPENSATION PROGRAMS AND TO ENSURE THE REASONABLENESS OF ACTUAL SALARIES AND TOTAL COMPENSATION PACKAGES COMPENSATION OF THE SENIOR MOST EXECUTIVES WAS REVIEWED ANNUALLY THE HAY GROUP REVIEWED BOTH CASH AND TOTAL COMPENSATION FOR OVERALL REASONABLENESS, FOR ADHERENCE TO CHI'S COMPENSATION PHILOSOPHY, AND FOR COMPARABILITY TO THE NOT-FOR-PROFIT HEALTHCARE MARKET THIS INDEPENDENT REVIEW WAS DELIVERED BY HAY GROUP TO THE HR COMMITTEE OF THE CHI BOARD OF STEWARDSHIP TRUSTEES ANNUALLY AT THEIR SEPTEMBER MEETING AND MINUTES WERE SHARED WITH THE FULL BOARD AT THE DECEMBER MEETING THE LAST REVIEW WAS SEPTEMBER 2012 IN ADDITION, IN DECEMBER 2009, HAY GROUP COMPLETED A COMPREHENSIVE REVIEW OF ALL POSITIONS AT THE LEVEL OF VICE PRESIDENT AND ABOVE TO DETERMINE AND VALIDATE APPROPRIATE COMPENSATION LEVELS THESE LEVELS HAVE BEEN REVIEWED ANNUALLY SINCE AND REVISED BASED ON MARKET DATA, WHERE APPLICABLE THE COMPENSATION OF KARL RICHARDS AND DICK MOLSEED WAS DETERMINED BY THE AVERA HEALTH HUMAN RESOURCES BASED ON A MARKET ANALYSIS OF COMPARABLE POSITIONS THE COMPENSATION WAS APPROVED BY THE CEO

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS ARE NOT PUBLICLY AVAILABLE. FINANCIAL STATEMENTS ARE CONSOLIDATED IN THE AVERA HEALTH CONSOLIDATED FINANCIALS

Identifier	Return Reference	Explanation
OTHER FEES	FORM 990, PART IX, LINE 11G	CONTRACT LABOR PROGRAM SERVICE EXPENSES 5,657,493 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 5,657,493 PURCHASED SERVICES PROGRAM SERVICE EXPENSES 979,456 MANAGEMENT AND GENERAL EXPENSES 0 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 979,456 OTHER FEES PROGRAM SERVICE EXPENSES 1,683,121 MANAGEMENT AND GENERAL EXPENSES 670,894 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 2,354,015

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	EQUITY TRANSFERS TO AVERA HEALTH RELATED TO ACQUISITION -50,000,000 TRANSFER FROM ST MARY'S FOUNDATION 11,168,666 TRANSFER FROM RELATED ENTITY 10,000,000

Identifier	Return Reference	Explanation
	FORM 990, PART X, LINE 20	THE ISSUE PRICE INCLUDES THE FILING ORGANIZATION'S SHARE OF THE ENTIRE BOND ISSUE, WHICH WAS ISSUED TO AVERA HEALTH ON BEHALF OF THE AVERA OBLIGATED GROUP THE AVERA OBLIGATED GROUP CONSISTS OF AVERA HEALTH, AVERA MCKENNAN, AVERA ST LUKE'S, AVERA QUEEN OF PEACE, AVERA MARSHALL, AVERA ST MARY'S, AND AVERA SACRED HEART IN ACCORDANCE WITH IRS INSTRUCTIONS, INFORMATION RELATED TO THE TAX EXEMPT BOND REPORTING IS BEING REPORTED ON AVERA HEALTH'S TAX RETURN (EIN 46-0422673)

Identifier	Return Reference	Explanation
	FORM 990, PART XII, LINE 2C	DURING THE TAX YEAR, AVERA ST MARY'S WAS AFFILIATED WITH CHI FROM JULY 1, 2012 THROUGH DECEMBER 31, 2012 AND AFFILIATED WITH AVERA HEALTH FROM JANUARY 1, 2013 THROUGH JUNE 30, 2013 THE FINANCIAL INFORMATION WAS INCLUDED IN THE CONSOLIDATED FINANIAL STATEMENTS FOR BOTH CHI AND AVERA HEALTH FOR THE RESPECTIVE PORTION OF THE YEAR FOR THE PERIOD JANUARY 1 THROUGH JUNE 30, THE AUDIT COMMITTEE OF AVERA HEALTH, PARENT ORGANIZATION, SELECTED THE AUDITOR AND REVIEWED THE AUDITED FINANCIAL STATEMENTS FOR AVERA ST MARY'S

Identifier	Return Reference	Explanation
	FORM 990, PART XI, LINE 8	THE PRIOR PERIOD ADJUSTMENT IS DUE TO TRANSACTIONS RELATED TO THE UNFUNDED PENSION LIABILITY

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization
AVERA ST MARY'S

Employer identification number
46-0230199

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

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

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

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

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

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

		Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule			
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b		No
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Dividends from related organization(s)	1f		No
g Sale of assets to related organization(s)	1g		No
h Purchase of assets from related organization(s)	1h		No
i Exchange of assets with related organization(s)	1i		No
j Lease of facilities, equipment, or other assets to related organization(s)	1j		No
k Lease of facilities, equipment, or other assets from related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	Yes	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		No
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		No
o Sharing of paid employees with related organization(s)	1o		No
p Reimbursement paid to related organization(s) for expenses	1p		No
q Reimbursement paid by related organization(s) for expenses	1q	Yes	
r Other transfer of cash or property to related organization(s)	1r		No
s Other transfer of cash or property from related organization(s)	1s		No

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

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: 46-0230199
Name: AVERA ST MARY'S

Part VII Supplemental Information

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

Identifier	Return Reference	Explanation

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner? Yes	(j) No	(k) Percentage ownership
Q&M PROPERTIES LLC 525 NORTH FOSTER MITCHELL, SD 57301 73-1652049	MEDICAL CLINIC BUILDING	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 46-0488198	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
MRIS LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 47-0874983	HEALTH CARE SERVICES INCLUDING AIRCRAFT	SD	N/A									
HOME MEDICAL EQUIPMENT OF PIERRE LLC 329 E DAKOTA PIERRE, SD 57501 46-0444002	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	AVERA MCKENNAN	RELATED	17,254	201,776		No			No	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	N/A									
AVERA HOME MEDICAL EQUIPMENT OF ESTHERVILLE LLC PO BOX 5045 SIOUX FALLS, SD 57117 20-1686097	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SIOUX CENTER LLC 38 19TH ST SW SIOUX CENTER, IA 51250 75-3203100	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF MARSHALL LLC 1104 EAST COLLEGE DRIVE MARSHALL, MN 56258 20-5271924	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SPENCER HOSPITAL LLC 2400 S MINNESOTA AVE 102 SIOUX FALLS, SD 57117 80-0619999	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC 310 S PENNSYLVANIA ST ABERDEEN, SD 57401 46-0461429	SURGICAL ASSOCIATES	SD	N/A									
HEART HOSPITAL OF SOUTH DAKOTA LLC 10720 SIKES PLACE SUITE 300 CHARLOTTE, NC 28277 56-2143771	HEALTHCARE SERVICES	NC	N/A									
AUDUBON LAND COMPANY LLC 5390 N ACADEMY BLVD SUITE 300 COLORADO SPRINGS, CO 80918 84-1513085	REAL ESTATE	CO	CHIC	RELATED	34,991	8,665,388		No			No	50 100 %
AVANTAS LLC 11128 JOHN GALT BLVD SUITE 400 OMAHA, NE 68137 39-2045003	STAFFING OF NURSES	NE	AHBMHS	RELATED	-210,405	4,806,071		No			No	95 000 %
BERYWOOD OFFICE PROPERTIES LLC 400 BERYWOOD TRAIL CLEVELAND, TN 37312 62-1875199	PHYS OFFICE	TN	MHCS	RELATED	57,545	1,013,237		No		Yes		63 000 %
BLUEGRASS REGIONAL IMAGING CENTER 1218 SOUTH BROADWAY SUITE 310 LEXINGTON, KY 40504 61-1386736	DIAGNOSTIC	KY	SJHS	RELATED	308,428	3,317,191		No			No	65 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
CENTRAL NEBRASKA REHAB SERVICES 3004 W FAIDLEY AVE GRAND ISLAND, NE 68802 81-0653461	PHYSICAL THERAPY	NE	SFMC	RELATED	1,710,199	2,712,656		No			No	51 000 %
CHI OPERATING INVESTMENT PROGRAM LP 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 47-0727942	INVESTMENTS	CO	CHI	UNRELATED	344,962,532	4,617,413,792		No		Yes		79 920 %
MRI AT ST JOESPH MEDICAL CENTER LLC 7253 AMBASSADOR ROAD BALTIMORE, MD 21244 52-1958002	MEDICAL IMAGING	MD	SJMC	RELATED	423,167	2,174,155		No		Yes		51 000 %
NORTH RIVER SURGERY CENTER LLC 2209 WILDWOOD AVENUE SHERWOOD, AR 72120 71-0799771	AMBUL SURG CTR	AR	SVIMC	RELATED	81,071	1,077,536		No			No	57 450 %
O'DEA MEDICAL ARTS LIMITED PARTNERSHIP 7601 OSLER DRIVE TOWSON, MD 21204 52-1682964	REAL ESTATE	MD	TMI	RELATED	9,490			No		Yes		66 580 %
ORTHOCOLORADO LLC 11650 WEST 2ND PLACE LAKEWOOD, CO 80255 37-1577105	ORTHO HOSPITAL	CO	THC	RELATED	1,846,153	8,411,844		No			No	60 000 %
PENINSULA RADIATION ONCOLOGY LLC 315 MARTIN LUTHER KING JR WAY 111 TACOMA, WA 98405 87-0808610	HEALTHCARE SRVC	WA	FHS	RELATED	256,567	3,262,002		No			No	60 000 %
PENRAD IMAGING 1390 KELLY JOHNSON BLVD COLORADO SPRINGS, CO 80920 84-1072619	MEDICAL IMAGING	CO	CHIC	RELATED	715,094	3,489,436		No			No	70 000 %
RUXTON SURGICENTER LLC 8322 BELLONA AVENUE SUITE 201 BALTIMORE, MD 21204 52-2095835	SURGERY CENTER	MD	SJMC	RELATED	-69,345			No		Yes		51 000 %
SAINT JOSEPH - SCA HOLDINGS LLC 1451 HARRDOSBURG ROAD LEXINGTON, KY 40504 45-3801157	OP SURGERY	DE	SJHS	RELATED				No		Yes		51 000 %
SCA PREMIER SURGERY CENTER OF LOUISVILLE LLC 200 ABRAHAM FLEXNER WAY LOUISVILLE, KY 40202 72-1386840	SURGERY CENTER	KY	JH	RELATED	3,388	666,017		No		Yes		51 000 %
ST FRANCIS LAND COMPANY LLC 5390 N ACADEMY BLVD SUITE 300 COLORADO SPRINGS, CO 80918 26-3134100	REAL ESTATE	CO	CHIC	RELATED	-130,967	13,823,763		No			No	51 000 %
ST FRANCIS MEDICAL CENTER ASSOCIATES 1717 SOUTH J STREET TACOMA, WA 98405 91-1352698	MED OFFICE	WA	FHS	RELATED	238,717	1,907,063		No			No	58 460 %
ST JOSEPH-PAML LLC 424 LEWIS HARGETT CIRCLE STE 160 LEXINGTON, KY 40503 45-2116736	MGMT SVCS	KY	SJHS	RELATED	30,446	1,149,003		No		Yes		62 500 %
SUPERIOR MEDICAL IMAGING LLC 5000 NORTH 26TH STREET LINCOLN, NE 68521 26-2884555	OP DIAGNOSTICS	NE	SERMC	RELATED	-200,323	821,112		No		Yes		51 000 %

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount on Box 20 of K-1	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
SURGERY CENTER OF LEXINGTON LLC 424 LEWIS HARGETT CIRCLE STE 160 LEXINGTON, KY 40503 62-1179539	SURGERY CENTER	DE	SJHS	RELATED	-200,318	4,079,584		No		Yes		51 000 %
SURGERY CENTER OF LOUISVILLE LLC 200 ABRAHAM FLEXNER WAY LOUISVILLE, KY 40202 62-1179537	SURGERY CENTER	KY	JH	RELATED	-15,452	396,101		No		Yes		51 000 %
BERGAN MERCY SURGERY CENTER LLC 7710 MERCY ROAD STE 100 OMAHA, NE 68124 20-8671994	AMBUL SURG CTR	NE	ACH	RELATED	142,085	3,294,472		No			No	63 940 %
LAKESIDE AMBULATORY SURGICAL CENTER LLC 17031 LAKESIDE HILLS DR OMAHA, NE 68130 20-4267902	AMBUL SURG CTR	NE	ACH	RELATED	3,465,880	1,951,221		No			No	51 600 %
LAKESIDE ENDOSCOPY CENTER LLC 17001 LAKESIDE HILLS PLZ STE 201 OMAHA, NE 68130 20-5544496	ENDOSCOPY SRVC	NE	ACH	RELATED	1,455,294	1,013,126		No			No	52 280 %
NEBRASKA SPINE HOSPITAL LLC 6901 N 72ND STREET OMAHA, NE 68122 27-0263191	SPINE HOSPITAL	NE	ACH	RELATED	10,501,730	17,301,869		No			No	51 000 %
PRAIRIE HEALTH VENTURES LLC 421 S 9TH ST 102 LINCOLN, NE 68508 20-4962103	TECH SERVICES	NE	AH-IMC	RELATED	1,011,804	5,564,586		No		Yes		62 700 %
SAINT JOSEPH-ANC HOME CARE SERVICES 1700 EDISON DRIVE SUITE 300 MILFORD, OH 45150 26-3330545	HOME HEALTH	KY	JH	RELATED	3,208,139	9,684,824		No			No	96 900 %
LINCOLN CK LEASING LLC 8770 BRYN MAWR SUITE 1370 CHICAGO, IL 60631 26-2496856	REAL ESTATE	NE	SERMC	RELATED	397,452	439,334		No			No	53 760 %
HC SL VINTAGE I LLC 18000 WEST SARAH LANE SUITE 250 BROOKFIELD, WI 53045 27-0453767	PROPERTY HOLD	WI	SL CDC - VINTAGE	RELATED	1,027,057	105,658,490		No			No	51 000 %
CENTRAL NEBRASKA HOME CARE SERVICES PO BOX 1146-4510 SECOND AVENUE KEARNEY, NE 68848 47-0692112	HEALTHCARE SERVICES	NE	N/A	RELATED	228,435	675,251		No		Yes		100 000 %
HEALTHCARE SUPPORT SERVICES PO BOX 9804 GRAND ISLAND, ND 68802 72-1546196	LAUNDRY	NE	N/A	RELATED	98,583	3,190,677		No			No	100 000 %
ALEGENT HEALTH NORTHWEST IMAGING CENTER LLC 3606 N 156TH STREET OMAHA, NE 68116 06-1786985	OP DIAGNOSTICS	NE	ACH	RELATED	116,752	776,649		No		Yes		51 000 %

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
ACCOUNTS MANAGEMENT INC 5132 S CLIFF AVE SUITE 101 SIOUX FALLS, SD 57108 46-0373021	COLLECTION AGENCY	SD	N/A	C					No
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
AVERA PROPERTY INSURANCE INC 610 W 23RD ST STE 1 PO BOX 38 YANKTON, SD 57078 46-0463155	INSURANCE	SD	N/A	C					No
DR DONALD & MARGUERITE MABEE TRUST C/O FIRST NATIONAL BANK OF SOUTH DA MITCHELL, SD 57301 46-6056202	INVESTING	SD	N/A	T					No
VALLEY HEALTH SERVICES 501 SUMMIT STREET YANKTON, SD 57078 46-0357149	RENTAL REAL ESTATE	SD	N/A	C					No
ALTERNATIVE INSURANCE MANAGEMENT SERVICE 3900 OLYMPIC BOULEVARD SUITE 400 ERLANGER, KY 41018 84-1112049	MANAGEMENT SERVICES	CO	CHI	C		6,272,746	100 000 %		No
AMERICAN NURSING CARE 1700 EDISON DRIVE MILFORD, OH 45150 31-1085414	HOME HEALTH	OH	CHS	C	5,118,606	51,920,207	100 000 %		No
AMERIMED INC 1700 EDISON DRIVE MILFORD, OH 45150 31-1158699	HOME HEALTH	OH	ANC	C	2,134,392	14,669,219	100 000 %		No
BC HOLDING COMPANY INC 1850 BLUEGRASS AVE LOUISVILLE, KY 40215 31-1542851	FITNESS CLUB	KY	JH	C			100 000 %		No
CADUCEUS MEDICAL ASSOCIATES INC 5600 BRAINERD ROAD SUITE 500 CHATTANOOGA, TN 37411 62-1570736	HEALTHCARE	TN	MHCS	C		1,008	100 000 %		No
CAPTIVE MANAGEMENT INITIATIVES PO BOX 10073 APO GEORGETOWN, GRAND CAYMAN CJ 98-0663022	CAPTIVE MANAGEMENT	CJ	CHI	C			100 000 %		No
CATHOLIC HEALTH INITIATIVES CENTER FOR TRANSLATIONAL RESEARCH 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 27-2269511	RESEARCH	CO	CIRI	C	-2,286,538	1,241,259	100 000 %		No
CGH REALTY COMPANY INC 2500 BERNVILLE RD READING, PA 19603 23-2326801	REAL ESTATE	PA	SJHM	C			100 000 %		No
COMCARE SERVICES 4231 W 16TH AVENUE DENVER, CO 80204 84-0904813	INACTIVE	CO	CHIC	C			100 000 %		No
CONSOLIDATED HEALTH SERVICES 1700 EDISON DRIVE MILFORD, OH 45150 31-1378212	HOME HEALTH	OH	CHI	C	-879,467	52,379,487	100 000 %		No

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
DES MOINES MEDICAL CENTER INC 1111 6TH AVENUE DES MOINES, IA 50314 42-0837382	REAL ESTATE	IA	CHI-IA CORP	C	61,204	1,064,032	92 980 %		No
FIRST INITIATIVES INSURANCE LTD PO BOX 10073 APO GEORGETOWN, GRAND CAYMAN CJ 98-0203038	INSURANCE	CJ	CHI	C			100 000 %		No
FRANCISCAN SERVICES INC 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 23-2487967	HEALTHCARE	CO	CHI	C	-7,868	718,254	100 000 %		No
GOOD SAMARITAN OUTREACH SERVICES PO BOX 1990 KEARNEY, NE 68848 47-0659440	MEDICAL CLINIC	NE	CHI NEBRASKA	C	-257,418	180,468	100 000 %		No
HEALTH SYSTEMS ENTERPRISES INC PO BOX 1990 KEARNEY, NE 68848 47-0664558	MANAGEMENT	NE	GSH	C	87,278	1,377,820	100 000 %		No
HEALTHCARE MGMT SERVICES ORG INC 1149 MARKET ST TACOMA, WA 98402 91-1865474	HEALTH ORG	WA	FHS	C			100 000 %		No
MEDQUEST 1301 15TH AVENUE WEST WILLISTON, ND 58801 45-0392137	SALE OF DME	ND	MMC WILLISTON	C	153,510	1,152,715	100 000 %		No
MERCY PARK APARTMENTS LTD 1111 6TH AVENUE DES MOINES, IA 50314 42-1202422	HOUSING	IA	CHI-IA CORP	C	369,231	1,937,218	100 000 %		No
MERCY SERVICES CORP 2700 STEWART PARKWAY ROSEBURG, OR 97470 93-0824308	RETAIL SALES	OR	MMC WILLISTON	C	-440,596	1,423,377	100 000 %		No
MHSERVICES CORPORATION 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 43-1457881	DME	MO	SJRMC	C			100 000 %		No
MOUNTAIN MANAGEMENT SERVICES INC 5600 BRAINERD ROAD SUITE 500 CHATTANOOGA, TN 37411 62-1570739	MGMT SVC ORG	TN	MHCS	C	96,044	6,465,179	100 000 %		No
PATIENT TRANSPORT SERVICES INC 1700 EDISON DRIVE MILFORD, OH 45150 31-1100798	HOME HEALTH	OH	ANC	C	-164,340	5,488,275	100 000 %		No
PHYSICIAN HEALTH SYSTEM NETWORK 1149 MARKET ST TACOMA, WA 98402 91-1746721	HEALTH ORG	WA	FHS	C			100 000 %		No
SAINT CLARES PRIMARY CARE INC 66 FORD ROAD DENVILLE, NJ 07834 22-2441202	BILLING SERVICES	NJ	SCCC	C	-357,263	1,361,242	100 000 %		No
SAMARITAN FAMILY CARE INC 40 W FOURTH ST 1700 DAYTON, OH 45402 31-1299450	HEALTHCARE	OH	SHP	C			100 000 %		No

Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust

(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
SJH SERVICES CORPORATION 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 23-2307408	HEALTHCARE	CO	FSI	C	-197,039	3,331,737	100 000 %		No
SJL PHYSICIAN MANAGEMENT SERVICES INC 424 LEWIS HARGETT CR 160 LEXINGTON, KY 40503 27-0164198	MANAGEMENT	KY	SJHS	C			100 000 %		No
ST ANTHONY DEVELOPMENT COMPANY 1415 SOUTHGATE PENDLETON, OR 97801 93-1216943	ATHLETIC CLUB	OR	SAH	C	114,663	2,936,102	100 000 %		No
ST VINCENT COMMUNITY HEALTH SERVICES INC TWO ST VINCENT CIRCLE LITTLE ROCK, AR 72205 71-0710785	HEALTHCARE	AR	SVIMC	C	2,408,638	15,225,732	100 000 %		No
ST JOSEPH DEVELOPMENT COMPANY INC 1717 SOUTH J STREET TACOMA, WA 98405 91-1480569	RENTAL	WA	FSI	C	655,478	12,357,418	100 000 %		No
ST JOSEPH OFFICE PARK ASSOCIATION 1401 HARRODSBURG ROAD BLDG B70 LEXINGTON, KY 40504 61-1079899	MANAGEMENT	KY	SJHS	C		882,139	85 000 %		No
TOWSON MANAGEMENT INC 7601 OSLER DRIVE TOWSON, MD 21204 52-1710750	MANAGEMENT SERVICES	MD	FSI	C	516,457	197,196	100 000 %		No
COLLABHEALTH MANAGED SOLUTIONS INC 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 46-1222808	HOLDING CO	CO	CHI	C		23,806,707	100 000 %		No
COLLABHEALTH PLAN SERVICES INC 198 INVERNESS DRIVE WEST ENGLEWOOD, CO 80112 46-1224037	ADMIN SERVICES	CO	CHMS	C	-1,082,933	38,272,608	100 000 %		No
SOUNDPATH HEALTH INC 32129 WEYERHAEUSER WAY S SUITE 201 FEDERAL WAY, WA 98001 42-1720801	INSURANCE	WA	CHPS	C	-154,741	10,976,973	55 600 %		No
SUGAR LAND DOCTOR GROUP 1317 LAKE POINTE PARKWAY SUGAR LAND, TX 77478 45-4270163	MEDICAL CLINIC	TX	SL CHS	C	-1,159,411	566,590	100 000 %		No
ALEGENT HEALTHCREIGHTON ST JOSEPH MANAGED CARE SERVICES INC 12809 WEST DODGE ROAD OMAHA, NE 68154 47-0802396	MANAGED CARE	NE	ACH	C	5,312,313	4,520,865	100 000 %		No
ALL SAINTS INSURANCE COMPANY SPC LTD PO BOX 69 GT 720 WEST BAY ROAD GEORGETOWN, GRAND CAYMAN CJ	INSURANCE	CJ	SLHS	C		43,866,961	100 000 %		No

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Consolidated Financial Statements
June 30, 2013 and 2012

Avera Health

Independent Auditor's Report 1

Consolidated Financial Statements

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Avera Health
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Avera Health, 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 financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avera Health 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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 42 through 45 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Sioux Falls, South Dakota
November 13, 2013

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	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 94,889,928	$ 75,608,388
Assets limited as to use	30,059,466	26,483,278
Receivables		
Patients and residents, net	184,542,967	168,969,528
Other	17,024,449	23,805,591
Supplies	28,081,247	25,603,848
Prepaid expenses and other	13,980,037	11,415,742
Total current assets	368,578,094	331,886,375
Assets Limited as to Use		
Under indenture agreements	9,182,048	37,366,655
Other assets limited as to use	754,767,701	693,663,418
Total noncurrent assets limited as to use	763,949,749	731,030,073
Property and Equipment, Net	722,245,128	643,601,404
Other Assets		
Custodial funds held for unconsolidated entities	23,891,638	19,765,673
Investments in affiliated organizations	7,842,115	8,118,083
Goodwill	38,897,444	34,870,868
Intangible assets, net	15,454,397	17,110,215
Deferred financing costs, net	2,078,575	2,630,595
Noncurrent receivables	13,760,182	12,649,754
Other	19,909,229	21,036,987
Total other assets	121,833,580	116,182,175
Total assets	$ 1,976,606,551	$ 1,822,700,027

See Notes to Consolidated Financial Statements

Liabilities and Net Assets	2013	2012
Current Liabilities		
Current maturities of long-term debt	$ 17,961,347	$ 15,208,626
Accounts payable	40,543,571	49,429,147
Accrued salaries, benefits and withholdings	70,007,910	62,972,200
Interest payable	2,208,118	2,631,959
Estimated insurance claims payable	27,582,712	23,244,175
Estimated third-party payors	15,000,007	18,539,799
Other	12,483,752	9,645,684
Total current liabilities	185,787,417	181,671,590
Non-Current Liabilities		
Long-term debt, less current maturities	397,896,465	392,525,084
Custodial funds held for unconsolidated entities	23,891,638	19,765,673
Estimated insurance claims payable - noncurrent	18,864,376	19,909,999
Derivative liability	13,849,286	20,268,013
Other	3,521,490	4,014,013
Total non-current liabilities	458,023,255	456,482,782
Net Assets		
Unrestricted	1,272,027,566	1,129,681,561
Noncontrolling interest	12,158,623	11,565,301
Total unrestricted net assets	1,284,186,189	1,141,246,862
Temporarily restricted	43,110,193	38,312,594
Permanently restricted	5,499,497	4,986,199
Total net assets	1,332,795,879	1,184,545,655
Total liabilities and net assets	$ 1,976,606,551	$ 1,822,700,027

	2013	2012
Unrestricted Revenues, Gains, and Other Support		
Net patient and resident service revenue	$ 1,261,531,680	$ 1,192,595,177
Provision for bad debts	(36,823,730)	(36,363,128)
Net patient service revenue less provision for bad debts	1,224,707,950	1,156,232,049
Premium revenue	82,888,236	76,493,718
Other revenue	83,473,372	68,250,979
Total revenues, gains, and other support	1,391,069,558	1,300,976,746
Expenses		
Salaries, wages, and benefits	787,450,483	717,657,863
Supplies	200,835,047	194,212,910
Other	223,898,106	192,699,869
Claims expense	47,334,760	43,770,909
Interest	13,075,692	12,655,067
Depreciation and amortization	73,878,275	70,324,098
Total expenses	1,346,472,363	1,231,320,716
Operating Income	44,597,195	69,656,030
Other Income (Losses)		
Investment income - realized	25,053,354	21,116,803
Investment income - unrealized	26,023,145	(18,214,610)
Other nonoperating, net	13,841,964	(1,253,239)
Change in fair value of interest rate swaps not designated as hedges	5,888,245	(7,716,866)
Reclassification of accumulated losses on interest rate swaps	(534,363)	(534,363)
Loss on extinguishment of debt	(403,567)	(2,567,003)
Gain on acquisitions	29,092,796	2,724,749
Other income (loss), net	98,961,574	(6,444,529)
Revenues in Excess of Expenses	143,558,769	63,211,501
Acquisition of noncontrolling interests in consolidated subsidiary	-	(749,776)
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(5,114,834)	(5,454,180)
Reclassification of accumulated losses on interest rate swap	534,363	534,363
Grants and contributions restricted for capital purposes	1,931,498	624,857
Net assets released from restrictions for purchases of property and equipment	1,421,355	64,972
Other changes in net assets	608,176	(979,607)
Increase in Unrestricted Net Assets	$ 142,939,327	$ 57,252,130

	2013	2012
Unrestricted Net Assets		
Revenues in excess of expenses	$ 143,558,769	$ 63,211,501
Acquisition of noncontrolling interests in consolidated subsidiary	-	(749,776)
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(5,114,834)	(5,454,180)
Reclassification of accumulated losses on interest rate swap	534,363	534,363
Grants and contributions restricted for capital purposes	1,931,498	624,857
Net assets released from restrictions for purchases of property and equipment	1,421,355	64,972
Other changes in net assets	608,176	(979,607)
Increase in unrestricted net assets	142,939,327	57,252,130
Temporarily Restricted Net Assets		
Contributions	6,629,299	5,497,421
Investment income	2,399,319	116,381
Net assets released from restrictions	(4,231,019)	(3,214,796)
Increase in temporarily restricted net assets	4,797,599	2,399,006
Permanently Restricted Net Assets		
Contributions	513,298	273,973
Increase in Net Assets	148,250,224	59,925,109
Net Assets, Beginning of Year	1,184,545,655	1,124,620,546
Net Assets, End of Year	$1,332,795,879	$1,184,545,655

	2013	2012
Operating Activities		
Change in net assets	$ 148,250,224	$ 59,925,109
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains and losses on investments	(34,133,478)	12,751,493
Change in fair value of interest rate swaps	(6,418,726)	7,650,456
Goodwill impairment	1,195,956	-
Loss on disposal of property and equipment, net	1,851,058	943,209
Depreciation and amortization	76,809,731	70,616,253
Loss on extinguishment of debt - noncash portion	403,567	2,340,556
Loss (earnings) on equity method investments	1,659,529	(1,384,308)
Restricted contributions	(9,074,095)	(6,396,251)
Gain on acquisitions	(29,092,796)	(2,724,749)
Distributions to (investments by) noncontrolling interests	5,114,834	5,471,986
Acquisition of noncontrolling interests	-	749,776
Other non-cash changes	(563,208)	5,887
Change in assets and liabilities		
Receivables	(3,730,130)	(13,018,930)
Supplies	(359,355)	(2,907,592)
Prepaid expenses and other assets	(2,303,764)	1,505,094
Accounts payable	(6,101,984)	6,000,317
Estimated third-party payors	(4,921,068)	(4,706,167)
Accrued expenses	4,835,578	(6,571,467)
Other current liabilities	458,285	(2,271,960)
Net Cash from Operating Activities	143,880,158	127,978,712
Investing Activities		
Purchases of investments	(155,330,917)	(585,727,047)
Proceeds from disposition of investments	208,449,947	517,996,516
Purchase of property and equipment	(108,244,890)	(71,034,067)
Investment in affiliated organizations	(3,316,916)	(4,479,973)
Distributions from affiliated companies	1,086,729	4,636,420
Cash paid in business acquisitions, net of cash acquired in acquisition of controlling interest	(82,517,573)	(14,644,874)
Cash received for sale of business units	3,179,562	-
Decrease (increase) in other assets	73,384	-
Proceeds from disposal of equipment	343,958	278,151
Net Cash used for Investing Activities	(136,276,716)	(152,974,874)

	2013	2012
Financing Activities		
Proceeds from issuance of long-term debt	$ 25,135,267	$ 47,547,511
Proceeds from current and advanced refunding of bonds and other debt refinancing	11,340,984	186,083,927
Payments for current and advanced refunding of bonds and other debt refinancing	(15,745,984)	(199,674,316)
Scheduled principal payments on long-term debt	(12,401,190)	(14,378,161)
(Decrease) increase in other long-term liabilities	(536,106)	(1,418,595)
Payment of deferred financing costs	(71,695)	(1,660,994)
Distributions to noncontrolling interests	(5,117,273)	(5,471,986)
Restricted contributions	9,074,095	6,396,251
Net Cash from Financing Activities	11,678,098	17,423,637
Net Change in Cash and Cash Equivalents	19,281,540	(7,572,525)
Cash and Cash Equivalents, Beginning of Year	75,608,388	83,180,913
Cash and Cash Equivalents, End of Year	$ 94,889,928	$ 75,608,388
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of amounts capitalized of $1,366,664 in 2013 and $191,910 in 2012	$ 13,427,826	$ 13,409,782
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Accounts payable - construction in progress	$ 5,272,383	$ 2,531,159
Equipment acquired through capital lease obligations	$ -	$ 100,000
Assets purchased (liabilities assumed) from business acquisitions, net of cash acquired		
Property and equipment, net	$ 15,537,395	$ 5,389,512
Goodwill	5,551,000	3,656,599
Investments	50,206,734	-
Receivables, net	12,662,032	1,641,579
Other assets	3,325,915	3,415,541
Other current liabilities	(4,765,503)	(208,133)
Noncontrolling interest	-	749,776
	$ 82,517,573	$ 14,644,874

Note 1 - Organization and Significant Accounting Policies

Organization

Avera Health ("Organization"), a sponsored ministry of the Benedictine Convent of the Sacred Heart of Yankton, South Dakota (OSB) and Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota, (PBVM), is a health ministry based in Sioux Falls, South Dakota The Organization is organized as a South Dakota nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code

Avera Health owns, sponsors, and operates health care facilities in the Dakotas, Iowa, Nebraska, and Minnesota Generally, the sponsored organizations are exempt from federal and state income taxes These organizations provide a variety of health care related activities and other benefits to the communities in which they operate Health care services include inpatient, outpatient, sub-acute, home-based care, long-term care, and clinical services

Avera Health is a health ministry rooted in the Gospel The mission of Avera Health is to make a positive impact in the lives and health of persons and communities by providing quality services guided by Christian values The Organization operates with a vision to improve the health care of the people it serves through a regionally integrated network of persons and institutions

As part of a system-wide corporate financing plan, Avera Health established an Obligated Group to access the capital markets and make loans to its members Obligated Group members are jointly and severally liable for the long-term debt outstanding under the Master Trust Indenture The Obligated Group's unrestricted net assets represent approximately 93% of the consolidated unrestricted net assets of Avera Health as of June 30, 2013 and 2012

Principles of Consolidation

The consolidated financial statements for the years ended June 30, 2013 and 2012, include the accounts of the Organization and the following sponsored organizations and controlled subsidiaries Significant intercompany balances and transactions have been eliminated in the consolidated financial statements

Obligated Group

- Avera Health (became Obligated Group member on May 1, 2012)
- Avera McKennan and Subsidiaries (Avera Home Medical Equipment LLC, Midwest Regional Imaging Services LLC (dissolved and merged into Avera McKennan March 2, 2012), Alumend LLC, and 66 67% of Heart Hospital of South Dakota LLC)
- Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital and Subsidiaries (Health Management Services (corporate sponsorship and control ended April 9, 2013), Lewis and Clark Health Education and Service Agency d/b/a Avera Education and Staffing Solutions, and Valley Health Services)
- Avera St Luke's and Subsidiary (51% of Surgical Associates Endoscopy LLC)
- Avera Queen of Peace
- Avera Marshall and Subsidiary (Avera Marshall Foundation) (became Obligated Group member on May 1, 2012)
- Avera St Mary's and Subsidiary (Avera Gettysburg) (became Obligated Group member on January 1, 2013)

Non-Obligated Group

- Avera St. Anthony's Hospital
- Avera St. Benedict Health Center
- Avera Holy Family Health
- Avera Health Plans, Inc
- Accounts Management, Inc. (75% owned subsidiary)
- Avera Property Insurance, LLC
- Avera Communication, LLC
- Avera Workers' Compensation Trust (transferred to Avera Health on June 30, 2012)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and 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 certain investments in highly liquid debt instruments with original maturities of three months or less, excluding assets limited as to use.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized customer and third-party obligations. The Organization charges interest on patient and resident receivables, excluding amounts due from third-party payors, after an established period of time from 60 to 90 days. Interest rates range from 1% to 1.5% monthly. Due to the uncertainty of collecting private pay accounts, these interest charges are recognized as revenue when received. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice, or, if unspecified, are applied to the earliest unpaid claim.

Patient and resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for 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 between 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 its charity care or uninsured discount policies during the years ended June 30, 2013 or 2012 Patient and resident receivables are shown net of estimated uncollectibles, charity care, and other allowances of approximately $259,136,000 and $227,949,000 as of June 30, 2013 and 2012, respectively

Supplies

Supplies are generally 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 the fair value election which permits entities to choose to measure many financial instruments and certain other items at fair value Substantially 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 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 Certain alternative investment holdings in real estate and private equity are carried at cost or under the equity method if fair value measures are not easily determinable

Physician Notes Receivable and Guarantees

Certain consolidated entities have entered into notes receivable 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 totaling approximately $17,087,000 at June 30, 2013 and $16,551,000 at June 30, 2012 are recorded as other accounts receivable 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 governing Boards for future capital improvements and debt redemption, over which the Boards retain control and may at their discretion subsequently use for other purposes, assets donated for specific purposes, assets held by a trustee under indenture agreements, and assets held by foundations and trusts 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

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 Other investments in joint ventures for which the Organization does not have the ability to exercise significant influence are recorded at cost Distributions from investments in affiliated organizations recorded at cost are recorded as non-operating income

Property and Equipment

Property and equipment acquisitions are recorded at cost The Organization and its consolidated affiliates have adopted policies ranging from $1,000 to $5,000 as the minimum threshold to determine whether assets will be capitalized Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method Equipment under capital lease obligations is amortized using the straight-line method over the shorter of the lease term or estimated useful life of the equipment Amortization is included in depreciation and amortization in the consolidated financial statements The estimated useful lives of property and equipment are as follows

Land improvements	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 the donated or acquired long-lived assets are placed in service

Deferred Financing Costs

Deferred financing costs are amortized over the period the 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 Accumulated amortization of deferred financing costs was approximately $1,423,000 and $2,108,000 as of June 30, 2013 and 2012, respectively

Intangible Assets

Intangible assets consist of patient records, non-compete agreements, and other identifiable intangibles associated with business combinations The identifiable intangibles are being amortized over their estimated economic life

Goodwill

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 As a result of this test, an impairment loss of $1,195,956 was recognized for the year ended June 30, 2013 There was no impairment loss recognized for the year ended June 30, 2012

Impairment of Long-Lived Assets

Avera Health considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of the asset is 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

Estimated Malpractice Costs, Health Insurance and Workers' Compensation

Avera Health has established self-insurance programs for the majority of its employee health and dental insurance, workers' compensation benefits for employees, and for professional and general liability risks Annual self-insurance expense under these programs is based on past claims experience and projected losses Actuarial estimates of uninsured losses for each program at June 30, 2013 and 2012 have been accrued as liabilities and include an estimate of the ultimate costs for both reported claims and claims incurred but not reported Avera Health also has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities

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

Endowments

Endowment assets include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period Avera Health preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor The portion of donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure Avera Health 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, and (7) the investment policies of Avera Health

Avera Health has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk Actual returns in any given year may vary from this amount To satisfy its long-term rate-of-return objectives, Avera Health 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) Avera Health targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that Avera Health is required to retain as a fund of perpetual duration Deficits of this nature are reported in unrestricted net assets, unless otherwise specified by the donor

Revenues in Excess of Expenses

Revenues in excess of expenses excludes changes in interest in nets assets of foundations and trusts related to distributions for capital expenditures or donor-restricted purposes, changes in the net assets attributable to noncontrolling interests, changes in the fair value of effective interest rate swap hedges, cumulative effect of change in accounting principle – goodwill, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors

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 established rates Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments Net patient and resident service revenue is reported at the estimated net realizable amounts from patients and 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 related to uninsured patients and residents in the period the services are provided Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2013 and 2012 from these major payor sources, is as follows

	2013	2012
Net patient and resident service revenue		
Third-party payors	$ 1,204,346,881	$ 1,138,810,627
Self-pay	57,184,799	53,784,550
Total all payors	$ 1,261,531,680	$ 1,192,595,177

Charity Care

The Organization provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less that established rates Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue Total direct and indirect costs related to these foregone charges were approximately $17,646,000 and $18,001,000 at June 30, 2013 and 2012, which was determined based on an average ratio of cost to gross charges

Premium Revenue

Premium revenue represents gross premiums earned in the year for which services are covered Premiums received in advance of a coverage period are recorded as other current liabilities

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the 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, less an allowance for estimated uncollectible amounts, are recorded as contributions receivable and temporarily restricted support in the year the promise is made, unless the donor explicitly states that the gift is to support current activities Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Hospital has elected that measure in accordance with the fair value option under accounting principles Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates

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

Derivative Financial Instruments and Market Risk

The Organization has adopted policies for managing risk related to exposure to variability in interest rates and other relevant market rates and prices which include consideration of entering into derivative instruments 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

Income Taxes

Avera Health and most of its sponsored organizations are considered nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code These organizations are required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS) Avera Health and certain sponsored organizations also file an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report their unrelated business taxable income

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

Certain consolidated entities are subject to federal income taxes Deferred income tax assets and liabilities are recognized for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws Deferred tax assets and liabilities are not material as of June 30, 2013 and 2012 The Organization paid an immaterial amount of federal and state income taxes for the years ended June 30, 2013 and 2012

Advertising Costs

The Organization expenses advertising costs as they are incurred During the years ended June 30, 2013 and 2012, advertising expenses were $7,713,000 and $6,857,000, respectively

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, but generally require eligible hospitals to register for the program prior to 2016, 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 over a three year period with no more than 50% to be received in any one year.

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 $11,374,000 related to the Medicare program and approximately $2,420,000 related to Medicaid programs in other revenue for meaningful use incentives. An immaterial amount of EHR incentives were received in 2012. 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 - Net Patient and Resident Revenue

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

Medicare - PPS: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge Outpatient services are also paid on prospectively determined rates per visit These rates varied according to a patient classification system that is based on clinical, diagnostic, and other factors The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare Administrative Contractor

Medicare - CAH: Several of the Organization's consolidated subsidiaries 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 Administrative Contractor

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are generally 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 prospectively determined amounts per service or under a cost reimbursement methodology depending on the applicable state program The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid program The Organization's Medicaid cost reports have been settled by the Medicaid program through varying dates

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 is reimbursed for 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 Under the Medicare program, payment for resident services is made on a prospectively determined per diem basis The per diems vary according to a resident classification system based on resource utilization

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

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 7% of the Organization's net patient service revenue for the year ended June 30, 2013 and 34% and 7% 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 service revenue increased by approximately $6 58 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 regards to this specific calculation

Note 3 - Investments and Investment Income

Investments and assets limited as to use consist of the following as of June 30, 2013 and 2012

	2013	2012
Cash and short-term investments	$ 90,910,358	$ 110,005,294
U S government issues	37,435,280	92,240,602
Corporate bonds	52,296,183	46,908,476
Other fixed income	20,163,008	18,938,463
Publicly traded equity securities	73,810,564	77,345,311
Foreign equities	38,999,234	37,697,316
Equity mutual funds	226,763,044	158,655,720
Fixed income mutual funds	138,450,225	124,198,648
Balanced mutual funds	41,268,477	22,837,842
Non-publicly traded alternative investments		
Hedge fund	80,495,948	71,784,753
Real asset	11,991,155	11,349,222
Cost method investments	5,317,377	5,317,377
	$ 817,900,853	$ 777,279,024
Assets limited as to use		
Current - under indenture agreements	$ 12,559,466	$ 13,983,278
Current - other	17,500,000	12,500,000
Under indenture agreements	9,182,048	37,366,655
Other Long-term assets limited as to use	754,767,701	693,663,418
Custodial funds held for unconsolidated entities	23,891,638	19,765,673
	$ 817,900,853	$ 777,279,024

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

	2013	2012
Other Revenue		
Interest income	$ 1,130,931	$ 1,227,970
Net realized (losses) gains on investments	12,855	(890)
	$ 1,143,786	$ 1,227,080
Other Income		
Interest and dividend income	$ 16,955,876	$ 15,653,686
Net realized gains on investments	8,097,478	5,463,117
Change in unrealized gains and losses on investments	26,023,145	(18,214,610)
	$ 51,076,499	$ 2,902,193
Changes in temporarily restricted net assets		
Net realized gains (losses) on investments	$ 3,356,721	$ 651,666
Change in unrealized gains and losses on investments	(957,402)	(535,285)
	$ 2,399,319	$ 116,381

Alternative Investments

Alternative investments include limited partnerships, limited liability corporations, and off-shore investment funds Included in the investments of the limited partnerships are certain types of financial instruments including, among others, future and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments These financial instruments, which include varying degrees of off-balance-sheet risk, may also contain elements of credit risk including, but not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition See Note 1 for more information on the accounting policy for these investments

Note 4 - 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			
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use				
Cash and short-term investments	$ 60,438,930	$ 30,471,428	$ -	$ 90,910,358
U S government issues	31,495,823	5,939,457	-	37,435,280
Corporate bonds	-	52,296,183	-	52,296,183
Other fixed income	283,449	19,879,559	-	20,163,008
Publicly traded equity securities	73,810,564	-	-	73,810,564
Foreign equities	38,999,234	-	-	38,999,234
Equity mutual funds	42,469,959	184,293,085	-	226,763,044
Fixed income mutual funds	594,384	137,855,841	-	138,450,225
Balanced mutual funds	-	41,268,477	-	41,268,477
Non-publicly traded alternative investments				
Hedge fund	-	-	80,495,948	80,495,948
Real asset	-	-	11,991,155	11,991,155
Other assets				
Physician guarantees	-	-	749,174	749,174
Pledges receivable	-	-	3,764,997	3,764,997
	$ 248,092,343	$ 472,004,030	$ 97,001,274	$ 817,097,647
Liabilities				
Other liabilities				
Pledge commitments	$ -	$ -	$ 521,667	$ 521,667
Physician guarantees	-	-	749,174	749,174
Interest rate swaps	-	13,849,286	-	13,849,286
	$ -	$ 13,849,286	$ 1,270,841	$ 15,120,127

	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use				
Cash and short-term investments	$ 24,682,317	$ 85,322,977	$ -	$ 110,005,294
U S government issues	33,966,412	58,274,190	-	92,240,602
Corporate bonds	-	46,908,476	-	46,908,476
Other fixed income	-	18,938,463	-	18,938,463
Publicly traded equity securities	77,345,311	-	-	77,345,311
Foreign equities	37,697,316	-	-	37,697,316
Equity mutual funds	31,448,179	127,207,541	-	158,655,720
Fixed income mutual funds	543,444	123,655,204	-	124,198,648
Balanced mutual funds	-	22,837,842	-	22,837,842
Non-publicly traded alternative investments				
Hedge fund	-	-	71,784,753	71,784,753
Real asset	-	-	11,349,222	11,349,222
Other assets				
Physician guarantees	-	-	1,744,547	1,744,547
Pledges receivable	-	-	2,439,599	2,439,599
	$ 205,682,979	$ 483,144,693	$ 87,318,121	$ 776,145,793
Liabilities				
Other liabilities				
Pledge commitments	$ -	$ -	$ 613,772	$ 613,772
Physician guarantees	-	-	1,744,547	1,744,547
Interest rate swap agreements	-	20,268,013	-	20,268,013
	$ -	$ 20,268,013	$ 2,358,319	$ 22,626,332

Avera Health's policy is to recognize transfers to or from Levels 1, 2 or 3 within the fair value hierarchy as of the beginning of the period There were no significant transfers to or from Levels 1 or 2 during the periods presented

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs

For marketable securities such as U S and foreign government securities, U S and foreign corporate bonds, U S and foreign equity securities, and other fixed income securities, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models These inputs to fair value are included industry-standard valuation techniques such as the income or market approach Avera Health classifies all such investments as Level 2

The fair value of liabilities for interest rate swap derivative instruments classified as Level 2 is determined using an industry standard valuation model, which is based on a market approach A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model Each leg is discounted and the sums of the difference between the present value of the cash flow of each leg equals the market value of the swap

For investments such as hedge funds and real asset funds, fair value is determined using the calculated net asset value ("NAV") provided by the fund Hedge fund investments typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of the valuation Underlying securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bid and ask quotes obtained Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material Real asset investments are priced using valuation techniques that include income, market, and cost approaches Significant inputs include contract and market rents, operating expenses, capitalization rates, discount rates, sales of comparable properties, and market rent growth trends, as well as the use of the value of property plus the cost of building a similar structure of equal utility Due to the significant unobservable inputs present in these valuations, Avera Health classifies all such investments as Level 3

Fair values of pledge receivables and pledge commitments are based on the present value of the pledge commitments made and pledge receivables from the date of the pledge to when the pledge is expected to be received The fair values of physician guarantees are determined based on estimated future cash flows Avera Health classifies these assets and liabilities as Level 3

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

	2013		
	Hedge Fund	Real Asset	Total
Balance at June 30, 2012	$ 71,784,753	$ 11,349,222	$ 83,133,975
Net realized and unrealized gains and losses	8,963,180	1,073,400	10,036,580
Purchases/Contributions	6,559	-	6,559
Sales/Redemptions	(258,544)	(431,467)	(690,011)
Balance at June 30, 2013	$ 80,495,948	$ 11,991,155	$ 92,487,103

	2012		
	Hedge Fund	Real Asset	Total
Balance at July 1, 2011	$ 74,940,329	$ 9,843,048	$ 84,783,377
Net realized and unrealized gains and losses	(1,017,434)	1,546,727	529,293
Purchases/Contributions	-	68,750	68,750
Sales/Redemptions	(2,138,142)	(109,303)	(2,247,445)
Balance at June 30, 2012	$ 71,784,753	$ 11,349,222	$ 83,133,975

Included within the assets above are investments in certain entities that report fair value using a calculated NAV or its equivalent The following table and explanations identify attributes relating to the nature and risk of such investments as of June 30, 2013 and 2012

	2013		
Level 2	Fair Value	Unfunded Commitments	Redemption Notice Period
Daily redemption frequency			
Cash and short-term investments	$ 30,471,428	$ -	Daily
Equity mutual funds	54,340,386	-	Daily
Monthly redemption frequency			
Fixed income mutual funds	26,872,136	-	10-30 Days
	$ 111,683,950	$ -	
Level 3			
Monthly redemption frequency			
Hedge fund	$ 9,185,929	$ -	30-90 Days
Quarterly redemption frequency			
Hedge fund	21,048,478	-	45-90 Days
Real asset	4,286,649	-	(A)
Annual redemption frequency			
Hedge fund	49,569,704	-	45-90 Days
Illiquid Investments			
Hedge fund	691,837	-	(B)
Real asset	7,704,506	-	(C)
	$ 92,487,103	$ -	

	2012		
Level 2	Fair Value	Unfunded Commitments	Redemption Notice Period
Daily redemption frequency			
Cash and short-term investments	$ 80,048,648	$ -	Daily
Equity mutual funds	25,834,464	-	Daily
Monthly redemption frequency			
Fixed income mutual funds	23,875,441	-	10-30 Days
	$ 129,758,553	$ -	
Level 3			
Monthly redemption frequency			
Hedge fund	$ 8,847,923	$ -	30-90 Days
Quarterly redemption frequency			
Hedge fund	18,565,439	-	45-90 Days
Real asset	3,924,429	-	(A)
Annual redemption frequency			
Hedge fund	43,125,275	-	45-90 Days
Illiquid Investments			
Hedge fund	1,246,116	-	(B)
Real asset	7,424,793	132,500	(C)
	$ 83,133,975	$ 132,500	

A This category is comprised of an open-end private real estate investment trust (REIT) that invests in a diversified portfolio of predominantly value-added real estate investments Such investments have been made across the residential, office, retail, and industrial segments of the domestic real estate market The fund has not granted any redemption requests since 2008, therefore a queue exists The fund's investment board evaluates outstanding request quarterly

B This category includes a fund that employs a multi-strategy approach in managing the fund, capital is allocated amongst a diverse industry base, employing a broad range of strategies Strategies include, but are not limited to convertible and derivative investing, risk arbitrage and event driven investing, energy investing, yield and credit related investing, private placements and private investments, distressed investing, quantitative trading, reinsurance and risk-linked investing, fixed-income trading, structured finance, global macro trading, long/short investing, and special investments Redemptions from the fund have been suspended as fund is currently in the process of liquidating

C This category includes several private equity funds focused primarily invest in a diversified portfolio of limited partnerships, limited liability companies, and private REITs, or similar entities that will be focused on Value Added opportunities in the acquisition, development, redevelopment, operation, and management of commercial real estate properties There are no provisions for redemptions during the life of these funds Distributions from each fund will be received as the underlying investments of the funds wind down over an expected future period from during the next 2-12 years

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

	Pledges Receivable	Pledges Commitments	Physician Guarantee Asset	Physician Guarantee Liability
July 1, 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)	2,577,124	(155,000)	-	-
Cash (received) paid	(1,309,912)	264,000	(1,167,407)	1,167,407
Write-offs / adjustments	58,186	(16,895)	172,034	(172,034)
June 30, 2013	$ 3,764,997	$ (521,667)	$ 749,174	$ (749,174)

Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the balance sheets, including cash and equivalents, receivables, assets limited as to use with readily determinable market values, other assets, accounts payable, due to other organizations, other 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 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 $193,434,163 and $199,914,710 as of June 30, 2013 and 2012, respectively The fair value of the Organization`s fixed rate debt is estimated to be $197,654,039 and $209,090,896 as of June 30, 2013 and 2012, respectively

Note 5 - Property and Equipment

A summary of property and equipment is as follows

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 50,063,591	$ -	$ 32,903,037	$ -
Land improvements	21,171,668	14,650,146	20,093,488	13,472,201
Buildings and improvements	849,103,471	386,544,028	767,416,058	340,753,422
Equipment	548,417,857	372,437,414	500,655,702	341,106,709
Construction in progress	27,120,129	-	17,865,451	-
	$1,495,876,716	$ 773,631,588	$1,338,933,736	$ 695,332,332
Net property and equipment		$ 722,245,128		$ 643,601,404

At June 30, 2013, the Organization has incurred approximately $25 3 million of costs in connection with various building, software, and equipment projects The estimated cost to complete the projects is approximately $28 million and will be financed with Organization funds, proceeds from Series 2012A bonds, and other potential financing The estimated cost to complete the projects includes contract commitments of approximately $2 8 million as of June 30, 2013

Note 6 - Investments in Affiliated Organizations

The Organization and subsidiaries are participants in the following investments in affiliated organization with ownership/sponsorship percentages ranging from 25% to 50% The investments are recorded on the equity method

Organization Name	Percent Ownership/ Control
Avera Home Medical Equipment of Floyd Valley Hospital LLC	50 0%
Avera Home Medical Equipment of Sioux Center LLC	50 0%
Avera Home Medical Equipment of Spencer Hospital LLC	50 0%
Brookings Health System Avera Home Medical Equipment LLC	50 0%
Brookings MRI Services	49 0%
Center for Family Medicine	50 0%
Diagnostic Technical Services LLC	50 0%
Estherville Medical Clinic	50 0%
Hegg Clinic	50 0%
Northern Plains Premier Collaborative, LLC	50 0%
Pipestone Clinic	50 0%
Rural Medical Clinics (Freeman, SD)	50 0%
Worthington CT Services	25 0%
Worthington MRI Services	49 0%
Yorkshire Eye Clinic	49 0%

Summary financial information on a combined basis for the above entities, as of and for the years ended June 30, 2013 and 2012, is as follows

	2013	2012
Cash and cash equivalents	$ 3,444,326	$ 1,610,912
Other current assets	8,052,391	7,274,652
Land, buildings, and equipment - net	2,744,001	2,899,882
Other non-current assets	440,571	262,079
Total assets	$ 14,681,289	$ 12,047,525
Total current liabilities	$ 2,157,067	$ 2,178,631
Net assets/stockholders' equity	12,524,222	9,868,894
Total liabilities and net assets/stockholders' equity	$ 14,681,289	$ 12,047,525
Total revenues	$ 25,866,282	$ 26,544,232
Total expenses	(26,800,536)	(26,699,120)
Net loss	$ (934,254)	$ (154,888)

Note 7 - 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	$ 34,870,868	$ 31,220,156
Goodwill acquired	5,551,000	3,656,599
Goodwill impaired	(1,195,956)	-
Other adjustments	(328,468)	(5,887)
Balance, end of year	$ 38,897,444	$ 34,870,868

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

	Cost	Accumulated Amortization	Net
Balance, June 30, 2013			
Non-compete agreements	$ 13,318,070	$ (6,993,505)	$ 6,324,565
Medical records	7,468,171	(2,835,984)	4,632,187
Other	7,428,825	(2,931,180)	4,497,645
	$ 28,215,066	$ (12,760,669)	$ 15,454,397
Balance, June 30, 2012			
Non-compete agreements	$ 13,253,070	$ (5,595,713)	$ 7,657,357
Medical records	6,568,171	(2,288,029)	4,280,142
Other	7,316,825	(2,144,109)	5,172,716
	$ 27,138,066	$ (10,027,851)	$ 17,110,215

Amortization expense for the years ended June 30, 2013 and 2012 was $2,733,743 and $2,731,800, respectively

Estimated future amortization expense is as follows

Years Ending June 30,	
2014	$ 2,530,845
2015	2,370,845
2016	2,282,606
2017	2,069,227
2018	1,854,079
Thereafter	4,346,795
	$ 15,454,397

Note 8 - Long-Term Debt

Long-term debt consists of

	2013	2012
Obligated Group Master Trust Obligations		
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 Demand Revenue 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, annual 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 through 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 of $7,952,587 due December 1, 2017	9,929,625	-
Total Master Trust Indenture Obligations	350,430,938	332,052,351

	2013	2012
Other Obligations of Obligated Group Members		
City of Creighton Health Care Facility Revenue Bonds, due annually in increasing installments through December 15, 2026		
Series 2006A, 4 375%	$ 3,044,275	$ 3,205,925
Series 2006B, 4 375%	106,239	111,895
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	13,676,308
Note payable, dated February 2006, variable interest at LIBOR + 1 25% (1 44% at June 30, 2013), monthly principal and interest payments of $125,492 due to December 2, 2015	13,553,100	15,059,000
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
Capital lease obligations	47,218	470,409
Unamortized bond premiums and discounts	3,441,873	3,622,838
Total Other Obligations of Obligated Group Members	48,476,847	53,151,629

	2013	2012
Obligations of Non-Obligated Group Members		
City of Estherville, Iowa, Avera Holy Family Health Revenue Bonds, Series 2000, called and retired during July 2012 with proceeds from 2012 Series Bonds	$ -	$ 4,405,000
City of Estherville, Iowa, Avera Holy Family Health Revenue Bonds, Series 2012, 1 0% to 3 75%, due annually in increasing amounts to July 1, 2026	3,840,000	3,840,000
City of O'Neill, Nebraska, Avera St Anthony's, Series 2000 Revenue Bonds, 6 25%, due semi-annually in increasing amounts through September 1, 2012	-	350,000
4 75% construction line of credit with maximum borrowing of $14,665,000, interest paid monthly, to be refinanced on March 17, 2013 with private placement bonds issued through the City of O'Neill, Nebraska	-	11,516,845
City of O'Neill, Nebraska, Avera St Anthony's, Series 2012A Revenue Refunding Note, 3 25%, due in monthly payments of $70,112 through December 2027	9,638,498	-
City of O'Neill, Nebraska, Avera St Anthony's, Series 2012B Revenue Refunding Note, 4 75%, due in monthly payments of $11,307 through December 2027	1,407,044	-
City of Parkston, South Dakota, Avera St Benedict Health Center, Series 1993 Revenue Refunding Bonds, 4 25%, due in varying annual installments to 2014	105,000	205,000
City of Parkston, South Dakota, Avera St Benedict Health Center, Series 2001, revenue bonds, 4 50%, due in varying annual installments to 2016	160,000	200,000
City of Parkston, South Dakota, Avera St Benedict Health Center, Series 2005, revenue bonds, 3 50%, for five years, then interest rate is readjusted recalculated every five years according to a preset formula, due in varying annual installments to 2025 Interest rate to be adjusted in May 2015	1,540,000	1,660,000
Capital lease obligations	259,485	352,885
Total Obligations of Non-Obligated Group Members	16,950,027	22,529,730
Total long-term debt	415,857,812	407,733,710
Less current maturities	(17,961,347)	(15,208,626)
Long-term debt, less current maturities	$ 397,896,465	$ 392,525,084

Long-term debt maturities are as follows

Years Ended June 30,	
2014	$ 17,961,347
2015	17,832,427
2016	14,571,302
2017	28,203,358
2018	11,445,575
Thereafter	322,401,930
Unamortized bond premiums and discounts	3,441,873
	$ 415,857,812

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

Under the terms of the loan agreements for the revenue bonds, the Organization and its consolidated affiliates are required to maintain certain deposits with trustees Such deposits are included with assets limited as to use in the consolidated financial statements Assets that are available for obligations classified as current liabilities are reported in current assets The loan agreements also 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

Obligated Group

As described in Note 1, the Avera Health Obligated Group (Obligated Group) was created to access the capital markets and make loans to its members Obligated Group members are jointly and severally liable for the long-term debt outstanding under the Master Trust Indenture On May 1, 2012, Avera Health and Avera Marshall became members of the Obligated Group and became parties to the Master Trust Indenture which prior to that date consisted of Avera McKennan, Avera St Luke's, Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital, and Avera Queen of Peace On January 1, 2013, Avera Health acquired Avera St Mary's and Avera St Mary's became a member of the Obligated Group at that time

Simultaneously with the addition of Avera Health and Avera Marshall to the Obligated Group as discussed above, the following financing transactions occurred

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

Debt Extinguishment

In connection with the refinancing noted above, the Organization recorded a loss on extinguishment of debt of $2,567,003 during the year ended June 30, 2012 The Series 2002 bonds were advance refunded by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest The trustee held escrow accounts are invested in U S government securities In addition, Avera St Anthony's recorded a loss on extinguishment of debt of $403,567 during the year ended June 30, 2013 in connection with refinancing their long-term debt

Variable Rate Bonds and Credit Enhancement

The Series 2008A bonds, up until there extinguishment on May 1, 2012, were held in the public market and included credit enhancement from a financial institution The Series 2008C Bonds were held directly by a financial institution beginning December 1, 2010 Prior to that time, the Series 2008C bonds were held in the public market and included credit enhancement in the form of a letter of credit from a financial institution The Series 2012B bonds (issued May 1, 2012) are held directly by a financial institution as of June 30, 2013

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 9 - Leases

The Organization leases certain operations, equipment, and building space under various lease agreements with varying terms The Organization also participates in leases that are categorized as capital leases The leased assets have a net book value of approximately $301,000 and $977,000 as of June 30, 2013 and 2012, respectively Total lease expense for all operating leases and rental agreements was approximately $18,575,000 and $16,708,000 for the years ended June 30, 2013 and 2012, respectively

Minimum future lease payments for the capital and non-cancelable operating leases are as follows

Years Ending June 30,	Capital Leases	Operating Leases
2014	$ 145,368	$ 8,619,329
2015	125,914	7,177,422
2016	56,016	5,553,579
2017	-	3,649,918
2018	-	2,206,828
Thereafter	-	1,999,132
Total minimum lease payments	327,298	$ 29,206,208
Less interest	(20,595)	
Present value of minimum lease payments - Note 8	$ 306,703	

Note 10 - 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	$ 17,165,000	3 870%	67% of LIBOR	$ (3,537,201)	$ (5,159,818)
Swap B	2033	$ 47,000,000	3 915%	67% of LIBOR	(9,196,092)	(13,461,721)
Swap C	2015	$ 13,251,920	5 210%	LIBOR +1 25%	(1,115,993)	(1,646,474)
					$ (13,849,286)	$ (20,268,013)

The Organization entered into Swap A to effectively convert $17,165,000 of the variable rate Series 2008A bonds to synthetic fixed rate debt at the rate of 3 87% The Organization entered into Swap B to effectively convert $47,000,000 of the variable rate Series 2008C bonds into synthetic fixed rate debt at a rate of 3 915% The Organization, through a consolidated affiliate, entered into Swap C to effectively convert 80% of a variable rate mortgage agreement, currently $13,251,920, 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 $9,701,958 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 the years ended, June 30, 2013 and 2012, $534,363 was reclassified into revenues in excess of expenses in relation to the hedge discontinuance The aggregate fair value of the swap agreements was recorded as a long term liability of $12,733,293 and $18,621,539 as of June 30, 2013 and 2012, respectively The change in fair value of $5,888,245 and $(7,716,866) was 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 a long term liability 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, respectively, of the swap were recorded to other changes in net assets

The following table summarizes the derivative transactions reflected in the 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	$ (13,849,286)	$ (20,268,013)
Revenues in Excess of Expenses		
Change in fair value of interest rate swaps not designated as hedging instruments	$ 5,888,245	$ (7,716,866)
Reclassification of accumulated losses on interest rate swaps	(534,363)	(534,363)
Interest expense	2,524,892	3,038,343
Other Changes in 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	534,363	534,363

Note 11 - Commitments

The Organization has entered into several agreements that are accounted for as unconditional and conditional promises to give Unconditional promises to give are recorded as other current and non-current liabilities in the balance sheet The Organization also entered into contracts that are considered exchange transactions resulting in purchase commitments A summary of outstanding commitments under unconditional promises to give, conditional promises to give, and purchase commitments is as follows

Years Ending June 30,	
2014	$ 6,972,416
2015	5,564,416
2016	5,480,250
2017	5,190,000
2018	2,765,000
Thereafter	3,452,750
	$ 29,424,832

Other Commitments

Avera Health Plans, Inc (Health Plans), an affiliate of the Organization, is required to maintain a minimum net worth under the laws of the State of South Dakota As of June 30, 2013, Health Plans has met the minimum net worth requirements

Note 12 - Temporarily and Permanently Restricted Net Assets

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

	2013	2012
Various health care programs and capital projects, including hospice, cancer care, various regional operations, and others	$ 43,110,193	$ 38,312,594

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

	2013	2012
Investments to be held in perpetuity, the income from which is expendable to support various health care program services	$ 5,499,497	$ 4,986,199

Note 13 - Employee Pension Plans

Eligible employees of Avera Health and certain consolidated affiliates 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 approximately $16,956,000 and $13,988,000, 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 approximately $7,840,000 and $5,510,000, 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 Employer Match Retirement Savings Plan (PBVM Match Retirement Savings)

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 expenses of approximately $6,455,000 and $5,538,000 for the years ended June 30, 2013 and 2012

Other Defined Contribution Pension Plans

Certain consolidated affiliates have defined contribution pension plans available to eligible employees Employer contributions are based on a percentage of annual compensation and employee level of contributions Employee and employer contributions are deposited with the plan trustees who invest the plan assets The Organization recognized total other defined contribution pension plan expenses of approximately $2,498,000 and $2,536,000 for the years ended June 30, 2013 and 2012, respectively

Note 14 - Contingencies

Malpractice Insurance

The Organization and most of its consolidated affiliates primarily participate in a self-insured professional liability program which provides malpractice insurance coverage for professional 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 Certain consolidated entities maintain their professional liability coverage on a claims-made basis with no significant deductibles

Litigation, Regulatory and Compliance Matters

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, government healthcare program participation, government reimbursement, antitrust, anti-kickback and anti-referral by physicians, false claims prohibitions, and in the case of tax-exempt organizations, the requirements of tax exemption In recent years, government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations, quality of care provided to patients, and handling of controlled substances In addition, during the course of business, Avera Health 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 15 - 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, are as follows

	2013	2012
Medicare	32%	31%
Blue Cross	16%	15%
Medicaid	8%	8%
Commercial insurance	9%	11%
Other third-party payors, patients and residents	35%	35%
	100%	100%

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

Note 16 - Functional Expenses

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

	2013	2012
Program services	$1,121,589,017	$1,024,900,148
General and administrative	223,416,022	204,914,820
Fundraising	1,467,324	1,505,748
	$1,346,472,363	$1,231,320,716

Note 17 - Business Combinations

On January 1, 2013, Avera Health acquired the 60-bed St Mary's Healthcare Center of Pierre, South Dakota, the 10-bed Gettysburg Memorial Hospital of Gettysburg, South Dakota, and long-term care facilities in both of Pierre and Gettysburg Corporate sponsorship of these organizations was transferred from Catholic Health Initiatives to Avera in exchange for $70 million

Other Acquisitions

During the years ended June 30, 2013 and 2012, the Organization closed on purchase agreements for the acquisition of independent diagnostic testing company, an independent family medicine practice, and internal medicine practice, and various clinic practices Accordingly, the results of operations for these acquisitions have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date

The total purchase prices were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2013, as follows

	St Mary's	Others
Property and equipment, net	$ 42,462,326	$ 2,167,865
Receivables, net	9,075,428	3,586,604
Investments	50,206,734	-
Cash and cash equivalents	581,303	-
Goodwill	-	5,551,000
Other assets	1,405,665	1,920,250
Total assets acquired	103,731,456	13,225,719
Liabilities assumed	(4,638,660)	(126,843)
Net assets acquired	99,092,796	13,098,876
Net cash purchase price	70,000,000	13,098,876
Gain on acquisition	$ 29,092,796	$ -

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 acquisition date through June 30, 2013 are included in the consolidated financial statements as follows

	St Mary's	Others
Unrestricted revenue, gains, and other support subsequent to the date of acquisition	$ 24,482,980	$ 18,298,924
Operating income subsequent to the date of acquisition	854,177	52,122

The total purchase prices were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2012, as follows

	Other
Property and equipment, net	$ 8,114,261
Receivables, net	1,641,579
Goodwill	3,656,599
Other assets	3,415,541
Noncontrolling interest	749,776
Total assets acquired	17,577,756
Liabilities	(208,133)
Net assets acquired	17,369,623
Net cash purchase price	14,644,874
Gain on acquisition	$ 2,724,749

Note 18 - Subsequent Events

During July 2013, a consolidated subsidiary of 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 November 13, 2013, the date which the consolidated financial statements were available to be issued

Supplementary Information
June 30, 2013

Avera Health

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Assets	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Current Assets				
Cash and cash equivalents	$ 83,241,294	$ 11,648,634	$ -	$ 94,889,928
Assets limited as to use	19,023,704	11,035,762	-	30,059,466
Receivables				
Patients and residents, net	175,846,235	8,696,732	-	184,542,967
Other	16,477,481	3,038,424	(2,491,456)	17,024,449
Supplies	26,070,628	2,010,619	-	28,081,247
Prepaid expenses and other	11,927,793	2,052,244	-	13,980,037
Total current assets	332,587,135	38,482,415	(2,491,456)	368,578,094
Assets Limited as to Use				
Under indenture agreements	8,380,249	801,799	-	9,182,048
Other assets limited as to use	707,009,822	47,757,879	-	754,767,701
Total noncurrent assets limited as to use	715,390,071	48,559,678	-	763,949,749
Property and Equipment	677,417,041	44,828,087	-	722,245,128
Other Assets				
Custodial funds held for unconsolidated entities	23,891,638	-	-	23,891,638
Custodial funds held for consolidated entities	33,553,915	-	(33,553,915)	-
Investments in affiliated organizations	7,684,541	157,574	-	7,842,115
Goodwill	38,897,444	-	-	38,897,444
Intangible assets, net	15,281,588	172,809	-	15,454,397
Deferred financing costs, net	1,885,568	193,007	-	2,078,575
Noncurrent receivables	14,639,759	370,423	(1,250,000)	13,760,182
Other	19,174,370	734,859	-	19,909,229
Total other assets	155,008,823	1,628,672	(34,803,915)	121,833,580
Total assets	$ 1,880,403,070	$ 133,498,852	$ (37,295,371)	$ 1,976,606,551

Avera Health
Consolidating Balance Sheets
June 30, 2013

Liabilities and Net Assets	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Current Liabilities				
Current maturities of long-term debt	$ 16,764,773	$ 1,196,574	$ -	$ 17,961,347
Accounts payable	38,749,582	4,285,445	(2,491,456)	40,543,571
Accrued salaries, benefits and withholdings	65,744,412	4,263,498	-	70,007,910
Interest payable	2,130,746	77,372	-	2,208,118
Estimated insurance claims payable	17,500,000	10,082,712	-	27,582,712
Estimated third-party payors	14,083,168	916,839	-	15,000,007
Other	8,718,525	3,765,227	-	12,483,752
Total current liabilities	163,691,206	24,587,667	(2,491,456)	185,787,417
Non-Current Liabilities				
Long-term debt, less current maturities	382,143,012	15,753,453	-	397,896,465
Custodial funds held for unconsolidated entities	23,891,638	-	-	23,891,638
Custodial funds held for consolidated entities	33,553,915	-	(33,553,915)	-
Estimated insurance claims payable	18,864,376	-	-	18,864,376
Derivative liability	13,849,286	-	-	13,849,286
Other	2,885,542	1,885,948	(1,250,000)	3,521,490
Total non-current liabilities	475,187,769	17,639,401	(34,803,915)	458,023,255
Net Assets				
Unrestricted	1,182,309,071	89,718,495	-	1,272,027,566
Noncontrolling interest	12,061,957	96,666	-	12,158,623
Total unrestricted net assets	1,194,371,028	89,815,161	-	1,284,186,189
Temporarily restricted	41,849,311	1,260,882	-	43,110,193
Permanently restricted	5,303,756	195,741	-	5,499,497
Total net assets	1,241,524,095	91,271,784	-	1,332,795,879
Total liabilities and net assets	$ 1,880,403,070	$ 133,498,852	$ (37,295,371)	$ 1,976,606,551

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 65,140,274	$ 10,468,114	$ -	$ 75,608,388
Assets limited as to use	14,155,876	12,327,402	-	26,483,278
Receivables				
Patients and residents, net	159,836,302	9,133,226	-	168,969,528
Other	24,581,692	1,279,084	(2,055,185)	23,805,591
Supplies	23,592,757	2,011,091	-	25,603,848
Prepaid expenses and other	10,256,336	1,159,406	-	11,415,742
Total current assets	297,563,237	36,378,323	(2,055,185)	331,886,375
Assets Limited as to Use				
Under indenture agreements	32,782,782	4,583,873	-	37,366,655
Other assets limited as to use	652,447,344	41,216,074	-	693,663,418
Total noncurrent assets limited as to use	685,230,126	45,799,947	-	731,030,073
Property and Equipment	599,472,284	44,129,120	-	643,601,404
Other Assets				
Custodial funds held for unconsolidated entities	19,765,673	-	-	19,765,673
Custodial funds held for consolidated entities	30,094,301	-	(30,094,301)	-
Investments in affiliated organizations	7,962,926	155,157	-	8,118,083
Goodwill	34,870,868	-	-	34,870,868
Intangible assets, net	16,883,644	226,571	-	17,110,215
Deferred financing costs, net	2,076,555	554,040	-	2,630,595
Noncurrent receivables	13,473,924	425,830	(1,250,000)	12,649,754
Other	19,792,695	1,244,292	-	21,036,987
Total other assets	144,920,586	2,605,890	(31,344,301)	116,182,175
Total assets	$ 1,727,186,233	$ 128,913,280	$ (33,399,486)	$ 1,822,700,027

Liabilities and Net Assets	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Current Liabilities				
Current maturities of long-term debt	$ 10,100,226	$ 5,108,400	$ -	$ 15,208,626
Accounts payable	45,889,827	5,594,505	(2,055,185)	49,429,147
Accrued salaries, benefits and withholdings	59,472,310	3,499,890	-	62,972,200
Interest	2,468,444	163,515	-	2,631,959
Estimated insurance claims payable	14,800,000	8,444,175	-	23,244,175
Estimated third-party payors	18,624,799	(85,000)	-	18,539,799
Other	5,928,216	3,717,468	-	9,645,684
Total current liabilities	157,283,822	26,442,953	(2,055,185)	181,671,590
Non-Current Liabilities				
Long-term debt, less current maturities	375,103,754	17,421,330	-	392,525,084
Custodial funds held for unconsolidated entities	19,765,673	-	-	19,765,673
Custodial funds held for consolidated entities	30,094,301	-	(30,094,301)	-
Estimated insurance claims payable	19,909,999	-	-	19,909,999
Derivative liability	20,268,013	-	-	20,268,013
Other	3,421,648	1,842,365	(1,250,000)	4,014,013
Total non-current liabilities	468,563,388	19,263,695	(31,344,301)	456,482,782
Net Assets				
Unrestricted	1,047,557,377	82,124,184	-	1,129,681,561
Noncontrolling interest	11,468,635	96,666	-	11,565,301
Total unrestricted net assets	1,059,026,012	82,220,850	-	1,141,246,862
Temporarily restricted	37,522,345	790,249	-	38,312,594
Permanently restricted	4,790,666	195,533	-	4,986,199
Total net assets	1,101,339,023	83,206,632	-	1,184,545,655
Total liabilities and net assets	$ 1,727,186,233	$ 128,913,280	$ (33,399,486)	$ 1,822,700,027

Avera Health
Consolidating Statements of Operations
For the Year Ended June 30, 2013

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Unrestricted Revenues, Gains, and Other Support				
Net patient and resident service revenue	$ 1,216,239,476	$ 74,820,747	$ (29,528,543)	$ 1,261,531,680
Provision for bad debts	(35,546,854)	(1,276,876)	-	(36,823,730)
Net patient service revenue, less provision for bad debt	1,180,692,622	73,543,871	(29,528,543)	1,224,707,950
Premium revenue	-	82,888,236	-	82,888,236
Other revenue	91,995,590	6,473,805	(14,996,023)	83,473,372
Total revenues, gains, and other support	1,272,688,212	162,905,912	(44,524,566)	1,391,069,558
Expenses				
Salaries, wages and benefits	744,391,339	47,776,333	(4,717,189)	787,450,483
Supplies	192,009,185	8,825,862	-	200,835,047
Other	212,976,193	21,200,747	(10,278,834)	223,898,106
Claims expense	-	76,863,303	(29,528,543)	47,334,760
Interest	12,331,441	744,251	-	13,075,692
Depreciation and amortization	69,112,159	4,766,116	-	73,878,275
Total expenses	1,230,820,317	160,176,612	(44,524,566)	1,346,472,363
Operating Income	41,867,895	2,729,300	-	44,597,195
Other Income (Losses)				
Investment income - realized	23,432,315	1,621,039	-	25,053,354
Investment income - unrealized	24,511,567	1,511,578	-	26,023,145
Other nonoperating, net	13,393,198	448,766	-	13,841,964
Change in fair value of interest rate swaps not designated as hedges	5,888,245	-	-	5,888,245
Reclassification of accumulated losses on interest rate swaps	(534,363)	-	-	(534,363)
Loss on extinguishment of debt	-	(403,567)	-	(403,567)
Gain on acquisitions	29,092,796	-	-	29,092,796
Other income, net	95,783,758	3,177,816	-	98,961,574
Revenues in Excess of Expenses	137,651,653	5,907,116	-	143,558,769
Net equity transfers	(1,337,100)	1,337,100	-	-
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(5,114,834)	-	-	(5,114,834)
Reclassification of accumulated losses on interest rate swap	534,363	-	-	534,363
Grants and contributions for capital	1,580,048	351,450	-	1,931,498
Net assets released from restrictions for purchases of property and equipment	1,421,355	-	-	1,421,355
Other changes in unrestricted net assets	609,531	(1,355)	-	608,176
Increase in Unrestricted Net Assets	$ 135,345,016	$ 7,594,311	$ -	$ 142,939,327

Avera Health
Consolidating Statements of Operations
For the Year Ended June 30, 2012

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Unrestricted Revenues, Gains, and Other Support				
Net patient and resident service revenue	$ 1,146,612,646	$ 75,282,604	$ (29,300,073)	$ 1,192,595,177
Provision for bad debts	(34,636,319)	(1,726,809)	-	(36,363,128)
Net patient service revenue, less provision for bad debt	1,111,976,327	73,555,795	(29,300,073)	1,156,232,049
Premium revenue	-	76,493,718	-	76,493,718
Other revenue	72,285,749	9,886,542	(13,921,312)	68,250,979
Total revenues, gains, and other support	1,184,262,076	159,936,055	(43,221,385)	1,300,976,746
Expenses				
Salaries, wages and benefits	678,113,433	44,123,305	(4,578,875)	717,657,863
Supplies	185,420,055	8,792,855	-	194,212,910
Other	178,493,585	23,548,721	(9,342,437)	192,699,869
Claims expense	-	73,070,982	(29,300,073)	43,770,909
Interest	11,796,984	858,083	-	12,655,067
Depreciation and amortization	65,953,642	4,370,456	-	70,324,098
Total expenses	1,119,777,699	154,764,402	(43,221,385)	1,231,320,716
Operating Income	64,484,377	5,171,653	-	69,656,030
Other Income (Losses)				
Investment income - realized	18,933,483	2,183,320	-	21,116,803
Investment income - unrealized	(16,243,070)	(1,971,540)	-	(18,214,610)
Other nonoperating, net	(2,435,061)	1,181,822	-	(1,253,239)
Change in fair value of interest rate swaps not designated as hedges	(7,716,866)	-	-	(7,716,866)
Reclassification of accumulated losses on interest rate swaps	(534,363)	-	-	(534,363)
Loss on extinguishment of debt	(2,567,003)	-	-	(2,567,003)
Gain on acquisitions	2,724,749	-	-	2,724,749
Other (loss) income, net	(7,838,131)	1,393,602	-	(6,444,529)
Revenues in Excess of Expenses	56,646,246	6,565,255	-	63,211,501
Net equity transfers	10,534,786	(10,534,786)	-	-
Acquisition of noncontrolling interests in consol	(749,776)	-	-	(749,776)
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(5,454,180)	-	-	(5,454,180)
Reclassification of accumulated losses on interest rate swap	534,363	-	-	534,363
Grants and contributions for capital	624,857	-	-	624,857
Net assets released from restrictions for purchases of property and equipment	64,972	-	-	64,972
Other changes in unrestricted net assets	(979,607)	-	-	(979,607)
Increase in Unrestricted Net Assets	$ 61,221,661	$ (3,969,531)	$ -	$ 57,252,130