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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 private foundations)

Do not enter Social Security numbers on this form as it may be made public By law, the IRS generally cannot redact the information on the form

Information about Form 990 and its instructions is at [www.IRS.gov/form990](http://www.irs.gov/form990)

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 06-01-2013, 2013, and ending 05-31-2014

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

PRAIRIE LAKES HEALTH CARE SYSTEM INC

Doing Business As

Number and street (or P O box if mail is not delivered to street address) Room/suite

PO BOX 1210

City or town, state or province, country, and ZIP or foreign postal code

WATERTOWN, SD 57201

D Employer identification number

46-0391067

E Telephone number

(605) 882-7000

G Gross receipts \$ 113,398,744

F Name and address of principal officer

JILL FULLER

PO BOX 1210

WATERTOWN,SD 57201

H(a) Is this a group return for subordinates?

☐ Yes ☒ No

H(b) Are all subordinates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) ( ) ☐ (insert no ) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.PRAIRIELAKES.COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1986

M State of legal domicile

SD

Part I Summary																									
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>HEALTH CARE SERVICES</div></div>																								
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																								
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>15</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>13</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>5</td><td>620</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>6</td><td>186</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>807,933</td></tr><tr><td>b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td>0</td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	3	15	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	13	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	620	6	Total number of volunteers (estimate if necessary)	6	186	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	807,933	b	Net unrelated business taxable income from Form 990-T, line 34	7b	0
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Revenue	<table><tr><th></th><th>Prior Year</th><th>Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>221,81955,328</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>76,847,03879,389,439</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>7,926,7389,496,857</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>1,280,5722,775,855</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>86,276,16791,717,479</td></tr></table>		Prior Year	Current Year	8	Contributions and grants (Part VIII, line 1h)	221,81955,328	9	Program service revenue (Part VIII, line 2g)	76,847,03879,389,439	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	7,926,7389,496,857	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,280,5722,775,855	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	86,276,16791,717,479						
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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

\*\*\*\*\*

Signature of officer

2015-04-03

Date

ADAM PAUL CFO

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

ROBERT E SCHILE

Preparer's signature

Date

Check ☐ if self-employed

PTIN P00369682

Firm's name

CLIFTONLARSONALLEN LLP

Firm's EIN

41-0746749

Firm's address

220 SOUTH SIXTH STREET SUITE 300

MINNEAPOLIS, MN 55402

Phone no

(612) 376-4500

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part IIISTatement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐Yes☒No

1Briefly describe the organization’s mission

PRAIRIE LAKES HEALTH CARE SYSTEM THROUGH THE EFFORTS OF ITS DEDICATED EMPLOYEES AND PHYSICIANS, PROVIDES HIGH QUALITY, AFFORDABLE AND COMPASSIONATE HEALTHCARE SERVICES FOR THE PEOPLE IN THE REGION

2Did 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

3Did 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

4Describe 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 \$ 66,521,665 including grants of \$ 155,483 ) (Revenue \$ 78,477,169 )

PRAIRIE LAKES HEALTHCARE SYSTEM IS A RURAL, REGIONAL MEDICAL CENTER SERVING TEN COUNTIES IN NORTHEASTERN SOUTH DAKOTA AND WESTERN MINNESOTA THE ORGANIZATION IS COMMITTED TO PROVIDING ACCESSIBLE, HIGH QUALITY, COST-EFFECTIVE HEALTHCARE WHILE EFFECTIVELY MANAGING THE TRANSITION TO NEW PAYMENT AND CARE DELIVERY MODELS OVER THE PAST DECADE, PLHS SUCCESSFULLY RECRUITED SPECIALTY PHYSICIANS IN ORDER TO BUILD NEW SERVICES THAT WERE NEEDED IN THE REGION IN THE PAST YEAR, 6 NEW PHYSICIANS WERE RECRUITED INCLUDING A UROLOGIST, AN ENT SURGEON AND A PULMONOLOGIST THIS IS THE FIRST TIME FULL-TIME PULMONOLOGY SERVICES HAVE BEEN AVAILABLE IN THE COMMUNITY PLHS CONTRACTED WITH A NEW PRIVATE PRACTICE RADIOLOGY GROUP OF OVER 70 PHYSICIANS THAT PROVIDE TELERADIOLOGY SERVICES AND WEEKLY ON-SITE PROCEDURAL RADIOLOGY SERVICES RADIOLOGY SERVICES WERE ENHANCED WITH THIS ADDITION OF FELLOWSHIP-TRAINED SUBSPECIALTY RADIOLOGISTS TRAINED IN BODY, BREAST, NUCLEAR MEDICINE, INTERVENTIONAL, MUSCULOSKELETAL AND NEURORADIOLOGY PLHS ALSO CONTINUED TO INCREASE THE NUMBER OF RURAL OUTREACH CLINICS FROM 10 TO 14 THESE CLINICS PROVIDE ACCESS TO SPECIALTY PHYSICIANS IN RURAL COMMUNITIES IN THE PLHS SERVICE AREA WORKING WITH OTHER PHYSICIANS IN THE COMMUNITY, PLHS INITIATED A CLINICAL INTEGRATION COLLABORATIVE THE COLLABORATIVE WILL SELECT AREAS FOR FOCUSED IMPROVEMENT SUCH AS CARE COORDINATION, REFERRAL COORDINATION, CHRONIC CARE MANAGEMENT AND ACCESS EXPANSION THE ORGANIZATION'S COMMITMENT TO IMPROVING QUALITY AND PATIENT OUTCOMES WAS ACKNOWLEDGED BY THE RECEIPT OF SEVERAL AWARDS FOR THE SECOND CONSECUTIVE YEAR, PLHS RECEIVED THE AMERICAN COLLEGE OF CARDIOLOGY FOUNDATION'S NCDR ACTION REGISTRY PLATINUM PERFORMANCE ACHIEVEMENT AWARD THE AWARD RECOGNIZED CONSISTENT ADHERENCE TO RECOMMENDED TREATMENT GUIDELINES FOR CARDIOLOGY PATIENTS AND PERFORMANCE AT THE 90TH PERCENTILE ON SELECTED PERFORMANCE MEASURES PLHS ALSO RECEIVED THE 2014 WOMEN'S CHOICE AWARD AS ONE OF AMERICA'S BEST HOSPITALS FOR EMERGENCY CARE THE AWARD GRANTED TO ONLY 241 HOSPITALS IN THE NATION, WAS BASED ON PUBLICALLY REPORTED MEASURES OF EMERGENCY CARE DEEMED MOST IMPORTANT TO WOMEN PLHS RECEIVED NO PENALTIES FOR AVOIDABLE HOSPITAL ADMISSIONS AS PART OF THE FEDERAL GOVERNMENT'S HOSPITAL READMISSION REDUCTION PROGRAM PLHS RECEIVED A NUMBER OF RECOGNITIONS THAT RECOGNIZED FINANCIAL STABILITY AND PERFORMANCE CLEVERLEY + ASSOCIATES, A LEADING HEALTHCARE FIRM SPECIALIZING IN OPERATIONAL BENCHMARKING, AWARDED PRAIRIE LAKES THE COMMUNITY FIVE STAR DESIGNATION BASED ON PERFORMANCE IN THE FOLLOWING AREAS FINANCIAL VIABILITY AND PLANT REINVESTMENT, HOSPITAL COST STRUCTURE, HOSPITAL CHARGE STRUCTURE AND HOSPITAL QUALITY PERFORMANCE PLHS WAS NAMED A 2014 HEALTHSTRONG HOSPITAL BY IVANTAGE HEALTH ANALYTICS PRAIRIE LAKES WAS AMONG 547 HOSPITALS NATIONWIDE SELECTED FOR THIS HONOR, RANKING IN THE TOP 13% OF THE 4,299 HOSPITALS STUDIED THE PURPOSE OF THE HEALTHSTRONG HOSPITAL STUDY WAS TO PROVIDE A COMPREHENSIVE COMPARISON OF ACUTE CARE HOSPITALS ACROSS A CONTINUUM OF QUALITY, POPULATION HEALTH, OUTCOMES AND FINANCIAL INDICATORS THE 2014 HEALTHSTRONG HOSPITALS HIGHLIGHTS TOP PERFORMING HOSPITALS RATED AS PART OF IVANTAGE'S HOSPITAL STRENGTH INDEX THE HOSPITAL STRENGTH INDEX IS A COMPREHENSIVE RATING SYSTEM OF HOSPITALS AND THE RESULTS RECOGNIZE THE TOP PERFORMING HOSPITALS-MEASURING THEM ACROSS 66 DIFFERENT PERFORMANCE METRICS, INCLUDING QUALITY, VALUE-BASED OUTCOMES, PATIENT PERSPECTIVE, AFFORDABILITY, FINANCIALS AND EFFICIENCY IN MAY 2013, CMS RELEASED HOSPITAL PRICE RANGES OF 100 COMMON TREATMENTS THE REPORT SHOWED WIDE VARIATIONS AMONG HOSPITALS IN PRICES CHARGED FOR THE SAME PROCEDURES PLHS CONSISTENTLY HAD THE LOWEST PRICES AMONG THE STATE PROVIDERS FOR PROCEDURES PERFORMED AT THE HOSPITAL FOR THE PAST DECADE, THE ORGANIZATION HAS MADE A CONCERTED EFFORT TO BENCHMARK FAVORABLY TO OTHER PROVIDERS ON PRICING

4b

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

4c

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

















4dOther program services (Describe in Schedule O )

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

4eTotal program service expenses

66,521,665

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d	No
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? 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 other assistance to or for foreign individuals? 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 or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> . . . . .	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		No
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a		No
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . .	35b		
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	84	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	0	
1c			
2a		620	
2b		Yes	
3a		Yes	
3b		Yes	
4a			No
b			
5a			No
5b			No
5c			
6a			No
6b			
7			
7a			No
7b			
7c			No
7d			
7e			No
7f			No
7g			
7h			
8			
9			
9a			
9b			
10			
10a			
10b			
11			
11a			
11b			
12a			
12b			
13			
13a			
13b			
13c			
14a			No
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 or note to any line 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 . . . . .	15	
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 . . . . .	13	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .	5	No
6	Did the organization have members or stockholders? . . . . .	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .	7a	No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .	7b	No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body? . . . . .	8a	Yes
b	Each committee with authority to act on behalf of the governing body? . . . . .	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .	9	No

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

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates? . . . . .	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .	11a	No
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .	12a	Yes
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done . . . . .	12c	Yes
13	Did the organization have a written whistleblower policy? . . . . .	13	Yes
14	Did the organization have a written document retention and destruction policy? . . . . .	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official . . . . .	15a	Yes
b	Other officers or key employees of the organization . . . . .	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .	16a	No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ADAM PAUL 401 9TH AVENUE NW WATERTOWN,SD 57201 (605) 882-7000

Part VII

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

Check if Schedule O contains a response or note to any line 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) MARK ROBY BOARD CHAIR	1 00 0 00	X		X				0	0	0
(2) GEOFF HEIG BOARD VICE CHAIR	1 00 0 00	X		X				0	0	0
(3) JIM REDLINGER BOARD SECRETARY	1 00 0 00	X		X				0	0	0
(4) DUSTIN FLATTEN BOARD TREASURER	1 00 1 00	X		X				0	0	0
(5) MONTE HOPPER PAST BOARD CHAIR	1 00 0 00	X						0	0	0
(6) JOHN CALVIN BOARD MEMBER	1 00 0 00	X						0	0	0
(7) ROGER CARTER MD BOARD MEMBER	1 00 0 00	X						0	0	0
(8) VINCE FOLEY BOARD MEMBER	1 00 0 00	X						0	0	0
(9) CATHERINE GERRISH MD BOARD MEMBER	1 00 0 00	X						0	0	0
(10) BERNIE HANSON MD BOARD MEMBER	1 00 0 00	X						0	0	0
(11) TOM LABRIE BOARD MEMBER	1 00 0 00	X						0	0	0
(12) ROBB PETERSON BOARD MEMBER	1 00 0 00	X						0	0	0
(13) GERALD RIEBER MD BOARD MEMBER	1 00 0 00	X						0	0	0
(14) DOUGLAS SHARP BOARD MEMBER	1 00 1 00	X						0	0	0
(15) LUANN STRAIT BOARD MEMBER	1 00 1 00	X						0	0	0
(16) JILL FULLER CEO	40 00 1 00			X				528,354	0	19,193
(17) ADAM PAUL CFO	40 00 0 00			X				256,886	0	6,819



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) MICHAEL ANDERSON CHIEF INVESTMENT OFFICER	40 00 0 00			X				365,246	0	19,193
(19) NATE LAKE VICE PRESIDENT	40 00 0 00			X				178,778	0	19,193
(20) TRACI RABINE VICE PRESIDENT	40 00 0 00			X				174,258	0	19,193
(21) MICHELE TURBAK CHIEF NURSING OFFICER	40 00 0 00			X				178,484	0	19,193
(22) CHRIS ADDUCCI MD PHYSICIAN	40 00 0 00				X			655,769	0	19,193
(23) BIPINKUMAR AMIN MD PHYSICIAN	40 00 0 00				X			610,000	0	19,193
(24) JEFFERY BRINDLE MD PHYSICIAN	40 00 0 00				X			502,008	0	19,193
(25) EVELIO GARCIA MD PHYSICIAN	40 00 0 00				X			1,251,162	0	19,193
(26) SALEM MAALIKI MD PHYSICIAN	40 00 0 00				X			1,057,978	0	19,193
<b>1b Sub-Total</b>										
<b>c Total from continuation sheets to Part VII, Section A</b>										
<b>d Total (add lines 1b and 1c)</b>								5,758,923	0	198,749

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▶33

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

Section B. Independent Contractors

<b>1</b>	Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.		
(A) Name and business address	(B) Description of services	(C) Compensation	
BROWN CLINIC 506 1ST AVE SE WATERTOWN SD 57201	HOSPITALIST/SURGICAL COVERAGE	732,009	
WEATHERBY LOCUMS PO BOX 972633 DALLAS TX 75397	ER/MD/ONCOLOGY COVERAGE	475,787	
DR EW FILLER MD PC 21804 468TH AVE VOLGA SD 57006	ER/MD COVERAGE	372,632	
PDS INC 4152 30TH AVE S STE 103 FARGO ND 58104	SLEEP STUDIES	255,200	
DR RAM PANKAJ 3 CASCADE COURT EAST BURR RIDGE IL 60521	ORTHO LOCUM COVERAGE	204,137	
<b>2</b>	Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶13		

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512-514	
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	55,328			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		55,328			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 621400	78,581,886	78,581,886		
	b	RETAIL PHARMACY	446110	700,483		700,483	
	c	LAB SERVICE	621500	107,070		107,070	
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		79,389,439			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		389,982		389,982
4		Income from investment of tax-exempt bond proceeds . . . . .					
5		Royalties . . . . .					
6a		Gross rents	(i) Real 897,673	(ii) Personal			
		b	Less rental expenses	0			
		c	Rental income or (loss)	897,673			
		d	Net rental income or (loss) . . . . .		897,673		897,673
7a		Gross amount from sales of assets other than inventory	(i) Securities 29,379,212	(ii) Other 1,408,928			
		b	Less cost or other basis and sales expenses	20,269,738	1,411,527		
		c	Gain or (loss)	9,109,474	-2,599		
		d	Net gain or (loss) . . . . .		9,106,875		9,106,875
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	EHR INCENTIVE PAYMENT	900099	1,320,911			1,320,911	
b	OTHER INCOME	900099	270,556			270,556	
c	CAFETERIA REVENUE	722210	256,796			256,796	
d	All other revenue . . . . .		29,919		380	29,539	
e	Total. Add lines 11a-11d . . . . .		1,878,182				
12	Total revenue. See Instructions . . . . .		91,717,479	78,581,886	807,933	12,272,332	

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 or note to any line 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.	155,483	155,483		
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.	1,980,137		1,980,137	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	31,245,019	28,275,096	2,969,923	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	683,776	683,776		
9	Other employee benefits.	2,701,373	2,490,210	211,163	
10	Payroll taxes.	2,245,083	1,958,774	286,309	
11	Fees for services (non-employees):				
a	Management.				
b	Legal.	22,308		22,308	
c	Accounting.	89,702		89,702	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	5,899,551	5,197,527	702,024	
12	Advertising and promotion.	251,685		251,685	
13	Office expenses.	1,391,907	852,454	539,453	
14	Information technology.	488,989	21,849	467,140	
15	Royalties.				
16	Occupancy.	1,255,548	321,621	933,927	
17	Travel.	402,778	285,061	117,717	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	222,187	84,360	137,827	
20	Interest.	693,344	693,344		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	4,589,824	4,360,952	228,872	
23	Insurance.	395,026	395,026		
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	9,678,915	9,678,915		
b	DRUGS	6,421,857	6,421,857		
c	PROVISION FOR BAD DEBT	2,589,273	2,589,273		
d	EQUIP. RENT/MAINTENANCE	1,562,205	1,535,916	26,289	
e	All other expenses	1,029,403	520,171	509,232	
25	Total functional expenses. Add lines 1 through 24e.	75,995,373	66,521,665	9,473,708	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X ☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .		1,558	1	1,626
	2	Savings and temporary cash investments . . . . .		7,906,505	2	9,402,972
	3	Pledges and grants receivable, net . . . . .			3	
	4	Accounts receivable, net . . . . .		7,529,123	4	8,914,210
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .		15,522	5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L . . . . .			6	
	7	Notes and loans receivable, net . . . . .		672,473	7	261,301
	8	Inventories for sale or use . . . . .		1,542,896	8	1,499,071
	9	Prepaid expenses and deferred charges . . . . .		516,464	9	503,912
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a107,862,227			
	b	Less: accumulated depreciation . . . . .	10b58,823,270	51,457,797	10c	49,038,957
	11	Investments—publicly traded securities . . . . .		133,328,865	11	153,988,709
	12	Investments—other securities. See Part IV, line 11 . . . . .		5,938,750	12	6,243,565
	13	Investments—program-related. See Part IV, line 11 . . . . .			13	
	14	Intangible assets . . . . .		511,901	14	466,030
	15	Other assets. See Part IV, line 11 . . . . .		2,048,091	15	4,426,082
	16	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .		211,469,945	16	234,746,435
Liabilities	17	Accounts payable and accrued expenses . . . . .		11,691,323	17	11,923,375
	18	Grants payable . . . . .			18	
	19	Deferred revenue . . . . .			19	
	20	Tax-exempt bond liabilities . . . . .		16,468,220	20	14,412,383
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			23	
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .		2,552,551	25	3,037,981
	26	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .		30,712,094	26	29,373,739
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>					
	27	Unrestricted net assets . . . . .		177,279,679	27	201,613,434
	28	Temporarily restricted net assets . . . . .		3,478,172	28	3,759,262
	29	Permanently restricted net assets . . . . .			29	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>					
	30	Capital stock or trust principal, or current funds . . . . .			30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .			31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .			32	
	33	<b>Total net assets or fund balances</b> . . . . .		180,757,851	33	205,372,696
	34	<b>Total liabilities and net assets/fund balances</b> . . . . .		211,469,945	34	234,746,435

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI . . . . .

1	Total revenue (must equal Part VIII, column (A), line 12)	1	91,717,479
2	Total expenses (must equal Part IX, column (A), line 25)	2	75,995,373
3	Revenue less expenses Subtract line 2 from line 1	3	15,722,106
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	180,757,851
5	Net unrealized gains (losses) on investments	5	8,615,248
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	-3,599
9	Other changes in net assets or fund balances (explain in Schedule O)	9	281,090
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	205,372,696

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII . . . . .

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

SCHEDULE A  
(Form 990 or 990EZ)

Department of the  
Treasury  
Internal Revenue Service

Public Charity Status and Public Support

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

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.  
▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

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

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

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

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f

g

h

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

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

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

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

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 )

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

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 )

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

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 )

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

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

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)

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

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

(i)

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

(ii)

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

(iii)

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

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. 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—2012. 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—2013. 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—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

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

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** 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

Return Reference	Explanation	
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SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

► 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. ► Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization PRAIRIE LAKES HEALTH CARE SYSTEM INC	Employer identification number 46-0391067
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Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

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

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

1

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

☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

2

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

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

3

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

4

Number of states where property subject to conservation easement is located ►

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ►

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

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

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

1a

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

b

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

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

► \$

(ii) Assets included in Form 990, Part X

► \$

2

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

a

Revenues included in Form 990, Part VIII, line 1

► \$

b

Assets included in Form 990, Part X

► \$

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

- 3

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

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

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

- 1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No
- b

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

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- |    |        |
|----|--------|
|    | Amount |
| 1c |        |
| 1d |        |
| 1e |        |
| 1f |        |
- 2a

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

☐ Yes

☐ No
- b

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

☐

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

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

- 2

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

Board designated or quasi-endowment
- b

Permanent endowment
- c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations . . . . .

3a(i)

Yes

No

(ii) related organizations . . . . .

3a(ii)

b

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

3b
- Part VI Land, Buildings, and Equipment.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.
- | Description of property  | (a) Cost or other basis (investment) | (b)Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|--------------------------------|------------------------------|----------------|
| 1a Land . . . . .  |                                      | 2,341,520                      |                              | 2,341,520      |
| b Buildings . . . . .  |                                      | 47,184,782                     | 19,161,722                   | 28,023,060     |
| c Leasehold improvements . . . . .   |                                      | 2,661,249                      | 1,571,106                    | 1,090,143      |
| d Equipment . . . . .  |                                      | 55,591,369                     | 38,090,442                   | 17,500,927     |
| e Other . . . . .  |                                      | 83,307                         |                              | 83,307         |
| Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) |                                      |                                |                              | 49,038,957     |
- Schedule D (Form 990) 2013



Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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

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.

Return Reference	Explanation
PART X, LINE 2	THE INTERNAL REVENUE SERVICE (IRS) HAS DETERMINED THAT PRAIRIE LAKES AND HOME CONNECTIONS ARE TAX-EXEMPT, NOT-FOR-PROFIT CORPORATIONS UNDER SECTION 501 (C)(3) OF THE INTERNAL REVENUE CODE (IRC). THE HEALTH SYSTEM FOLLOWS THE GUIDANCE IN THE ACCOUNTING STANDARDS REGARDING THE RECOGNITION AND MEASUREMENT OF UNCERTAIN TAX POSITIONS. THE GUIDANCE CLARIFIES THE ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES RECOGNIZED IN AN ENTITY'S FINANCIAL STATEMENTS. THE GUIDANCE FURTHER PRESCRIBES RECOGNITION AND MEASUREMENT OF TAX PROVISIONS TAKEN OR EXPECTED TO BE TAKEN ON A TAX RETURN THAT ARE NOT CERTAIN TO BE REALIZED. THE APPLICATION OF THIS STANDARD HAS NO IMPACT ON THE HEALTH SYSTEM'S FINANCIAL STATEMENTS. THE HEALTH SYSTEM'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES. THE INFORMATION TAX RETURNS FOR THE YEARS ENDED 2011 TO 2013 ARE OPEN TO EXAMINATION BY FEDERAL, LOCAL, AND STATE AUTHORITIES.

[illegible]

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.  
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .			1,795,995		1,795,995	2 360 %
b Medicaid (from Worksheet 3, column a) . . . . .			3,182,846	1,252,546	1,930,300	2 540 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			4,978,841	1,252,546	3,726,295	4 900 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .			9,430,658	4,762,675	4,667,983	6 140 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			155,483		155,483	0 200 %
j <b>Total</b> Other Benefits . . . . .			9,586,141	4,762,675	4,823,466	6 340 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			14,564,982	6,015,221	8,549,761	11 240 %

Part IICommunity Building Activities

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

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

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

2,589,273

3

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

3

0

4

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

Section B. Medicare

5

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

5

28,685,804

6

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

6

25,390,336

7

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

7

3,295,468

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 IVManagement 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, primary website address, and state license number

		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
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

PRAIRIE LAKES HEALTH CARE SYSTEM

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

1

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

Part V

Facility Information (continued)

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

**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 individuals regarding the individuals' bills

**d** ☒ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy

**e** ☐ Other (describe in Section C)

**Policy Relating to Emergency Medical Care**

		<b>Yes</b>	<b>No</b>
<b>19</b> 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? . . . . .	<b>19</b>	Yes	
If "No," indicate why			
<b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions			
<b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing			
<b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)			

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

<b>20</b> 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			
<b>a</b> <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
<b>b</b> <input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
<b>c</b> <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
<b>d</b> <input checked="" type="checkbox"/> Other (describe in Part VI)			
<b>21</b> During the tax year, did the hospital facility charge any FAP-eligible individual 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? . . . . .	<b>21</b>		No
If "Yes," explain in Part VI			
<b>22</b> During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? . . . . .	<b>22</b>		No
If "Yes," explain in Part VI			

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information (continued)

**Section D. 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? 4

Name and address	Type of Facility (describe)
<b>1</b> SISSETON SATELLITE DIALYSIS 5 EAST CHESTNUT SISSETON,SD 57262	DIALYSIS UNIT
<b>2</b> MALLARD POINTE SURGICAL CENTER 1425 MICKELSON DRIVE WATERTOWN,SD 57201	OUTPATIENT SURGERY CENTER
<b>3</b> ORTONVILLE SATELLITE DIALYSIS 450 EASTVOLD AVENUE ORTONVILLE,MN 56278	DIALYSIS UNIT
<b>4</b> PRAIRIE LAKE PULMONOLOGY CLINIC 600 4TH STREET NE WATERTOWN,SD 57201	PULMONOLOGY CLINIC
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	

Part VI

Supplemental Information

Provide the following information

- 1

**Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2

**Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

990 Schedule H, Supplemental Information

Form and Line Reference	Explanation
PART I, LINE 3C	
PART I, LINE 7	THE COSTS ARE CALCULATED USING A COST TO CHARGE RATIO DERIVED FROM WORKSHEET 2 OF THE SCHE DULE H INSTRUCTIONS \$2,589,273 IN BAD DEBT EXPENSE WAS ELIMINATED WHEN CALCULATING PART I , LINE 7
PART I, LINE 7G	THE SUBSIDIZED HEALTH SERVICES INCLUDED IN SCHEDULE H, PART I, LINE 7G RELATES TO THE EMER GENCY ROOM, CARDIOLOGY SERVICES, ONCOLOGOY SERVICES, AND SPECIALTY PHYSICIANS
PART III, LINE 2	BAD DEBT EXPENSE INCLUDED IN PART III, LINE 2 IS DETERMINED BY THE PERCENTAGE OF PRIVATE P AY ACCOUNTS THAT ARE HISTORICALLY WRITTEN OFF TO BAD DEBT
PART III, LINE 3	THE ORGANIZATION DOES NOT HAVE A WAY TO IDENTIFY THE NUMBER OF PEOPLE WHO WOULD QUALIFY FO R FINANCIAL ASSISTANCE SO WE HAVE REPORTED \$0 IN PART III, LINE 3
PART III, LINE 4	THE FINANCIAL STATEMENTS DO NOT CONTAIN A FOOTNOTE PERTAINING TO BAD DEBT EXPENSE SPECIFIC ALLY HOWEVER, WITHIN NOTE 1, "PATIENT ACCOUNTS RECEIVABLE", THE PROVISION FOR BAD DEBTS I S REFERENCED THIS NOTE IS INCLUDED ON PAGE 8 OF THE FINANCIAL STATEMENTS
PART III, LINE 8	THERE WAS NO SHORTAGE CALCULATED IN PART III, LINE 8 THE MEDICARE ALLOWABLE COSTS INCLUDE D IN PART III, LINE 6 WAS DERIVED USING THE 2014 FILED MEDICARE COST REPORT
PART III, LINE 9B	BILLING STATEMENTS AND COLLECTION LETTERS WILL CONTAIN INFORMATION DIRECTING PATIENTS TO C ONTACT THE HOSPITAL FOR INFORMATION ABOUT FINANCIAL ASSISTANCE OR PAYMENT PLANS IF THE PAT IENTS ARE UNABLE TO PAY THE FULL OUTSTANDING ACCOUNT BALANCE BY THE DUE DATE IF A COMPLET E ASSISTANCE APPLICATION IS RECEIVED, A DETERMINATION OF THE PATIENT'S ELIGIBILITY WILL BE DOCUMENTED APPROPRIATELY AND COMMUNICATED TO THE PATIENT IN WRITING IF ELIGIBLE, THE HOS PITAL WILL ISSUE A BILLING STATEMENT WITH THE AMOUNT NOW OWED (ALONG WITH THE AMOUNT GENER ALLY BILLED AND HOW IT WAS CALCULATED), REFUND ANY CREDIT BALANCES, AND REVERSE ANY EXTRAO RDINARY COLLECTION ACTIONS IF AN INCOMPLETE FAA IS RECEIVED BY THE HOSPITAL, THE HOSPITAL WILL CEASE COLLECTION ACTIONS AND ALLOW 30 DAYS FOR THE FAA TO BE FULLY COMPLETED
PART VI, LINE 2	THE FACILITY CONDUCTS NEEDS ASSESSMENT SURVEYS IN THE COMMUNITY AND SURROUNDING AREA TO DE TERMINE WHAT HEALTH CARE SERVICES NEED TO BE ADDRESSED
PART VI, LINE 3	PRIVATE PAY INPATIENTS SPEAK WITH A SOCIAL WORKER TO DETERMINE IF THEY HAVE A NEED FOR FIN ANCIAL ASSISTANCE THE SOCIAL WORKER WILL GIVE THEM A NUMBER OF AVAILABLE OPTIONS FOR ASSI STANCE AFTER A PATIENT HAS RECEIVED STATEMENTS WITH THE PORTION THAT THEY ARE RESPONSIBLE FOR THEY ARE CONTACTED TO SEE IF THEY ARE IN NEED OF FINANCIAL ASSISTANCE AT THAT TIME T HEY ARE INFORMED OF ALL OPTIONS AVAILABLE TO THEM
PART VI, LINE 4	PRAIRIE LAKES HEALTH CARE SYSTEM'S PRIMARY SERVICE AREA COVERS 3 COUNTIES IN SOUTH DAKOTA WITH A POPULATION OF APPROXIMATELY 36,000 IT'S SECONDARY SERVICE AREA COVERS 4 COUNTIES I N SOUTH DAKOTA AND 3 COUNTIES IN MINNESOTA WITH A POPULATION OF 54,000
PART VI, LINE 5	THE ORGANIZATION OFFERS FREE HEALTH SEMINARS TO COMMUNITY MEMBERS COVERING A VARIETY OF HE ALTH TOPICS IN AN EFFORT TO EDUCATE PEOPLE ABOUT LEADING HEALTHY LIVES COMMUNITY FORUMS A RE HELD TO UPDATE ATTENDEES ABOUT NEW EVENTS AND TECHNOLOGY AT THE FACILITY THE ORGANIZAT ION WORKS WITH THE TECHNICAL INSTITUTE AND TWO STATE UNIVERSITIES TO HELP TRAIN MEDICAL ST UDENTS THE ORGANIZATION IS DEDICATED TO IMPLEMENTING AND MAINTAINING THE MOST CURRENT TEC HNOLOGY IN PROVIDING CARE





Additional Data

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

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

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

Schedule I  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

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

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

▶ Information about Schedule I (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public  
Inspection

Employer identification number  
46-0391067

Part I

General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) WATERTOWN UNITED WAY PO BOX 283 WATERTOWN, SD 57201	46-0359557	501(C)(3)	31,000				COMMUNITY ORGANIZATION FUNDING
(2) NATIONAL KIDNEY FOUNDATION 1970 OAKCREST AVE STE 208 ST PAUL, MN 55113	13-1673104	501(C)(3)	10,000				RESEARCH AND SCREENINGS
(3) SANFORD CLINIC 901 4TH ST NW WATERTOWN, SD 57201	46-0447693	501(C)(3)	10,000				FAMILY PLANNING CLINIC
(4) WATERTOWN AREA TRANSIT 205 1ST AVE NE WATERTOWN, SD 57201	41-1908759	501(C)(3)	10,000				TRANSIT BUS
(5) HUMAN SERVICE AGENCY PO BOX 1030 WATERTOWN, SD 57201	46-0275247	501(C)(3)	6,000				DETOX FUNDING
(6) FOCUS WATERTOWN 1 EAST KEMP AVE WATERTOWN, SD 57201	47-0813269	501(C)(6)	32,000				COMMUNITY DEVELOPMENT
(7) LUTHERAN OUTDOORS IN SD 2001 S SUMMIT AVE SIOUX FALLS, SD 57197	46-0320561	501(C)(3)	6,000				CAMP SPONSORSHIP
(8) CITY OF WATERTOWN 23 2ND ST NE WATERTOWN, SD 57201	46-6000515	CITY GOVERNMENT	10,000				FIRE RESCUE TRAINING CENTER

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . . 7

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

**Part III**

**Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Part III can be duplicated if additional space is needed.

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

**Part IV**

**Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PART I, LINE 2	FUNDS ARE GRANTED BASED ON ORGANIZATIONS AND INTERNAL REQUESTS GRANT REQUESTS ARE REVIEWED AND APPROVED BY ADMINISTRATIVE LEADERSHIP TO BE USED FOR THE PURPOSES REQUESTED BY THE ORGANIZATION FURTHER MONITORING IS NOT DONE ON A REGULAR BASIS

Additional Data

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WATERTOWN UNITED WAY PO BOX 283 WATERTOWN,SD 57201	46-0359557	501(C)(3)	31,000				COMMUNITY ORGANIZATION FUNDING

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NATIONAL KIDNEY FOUNDATION 1970 OAKCREST AVE STE 208 ST PAUL,MN 55113	13-1673104	501(C)(3)	10,000				RESEARCH AND SCREENINGS

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SANFORD CLINIC 901 4TH ST NW WATERTOWN,SD 57201	46-0447693	501(C)(3)	10,000				FAMILY PLANNING CLINIC

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
WATERTOWN AREA TRANSIT 205 1ST AVE NE WATERTOWN, SD 57201	41-1908759	501(C)(3)	10,000				TRANSIT BUS

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

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



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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
FOCUS WATERTOWN 1 EAST KEMP AVE WATERTOWN,SD 57201	47-0813269	501(C)(6)	32,000				COMMUNITY DEVELOPMENT

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
LUTHERAN OUTDOORS IN SD 2001 S SUMMIT AVE SIOUX FALLS, SD 57197	46-0320561	501(C)(3)	6,000				CAMP SPONSORSHIP

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CITY OF WATERTOWN 23 2ND ST NE WATERTOWN,SD 57201	46-6000515	CITY GOVERNMENT	10,000				FIRE RESCUE TRAINING CENTER

Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.  
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

Questions Regarding Compensation

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

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

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

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

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

**Part III**   **Supplemental Information**

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.

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

Additional Data

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

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JILL FULLER CEO	(i) (ii)	347,308 0	167,414 0	13,632 0	0 0	19,193 0	547,547 0	0 0
ADAM PAUL CFO	(i) (ii)	208,544 0	40,000 0	8,342 0	0 0	6,819 0	263,705 0	0 0
MICHAEL ANDERSON CHIEF INVESTMENT OFFICER	(i) (ii)	254,948 0	100,000 0	10,298 0	0 0	19,193 0	384,439 0	0 0
NATE LAKE VICE PRESIDENT	(i) (ii)	145,080 0	28,000 0	5,698 0	0 0	19,193 0	197,971 0	0 0
TRACI RABINE VICE PRESIDENT	(i) (ii)	134,929 0	28,000 0	11,329 0	0 0	19,193 0	193,451 0	0 0
MICHELE TURBAK CHIEF NURSING OFFICER	(i) (ii)	144,553 0	28,000 0	5,931 0	0 0	19,193 0	197,677 0	0 0
CHRIS ADDUCCI MD PHYSICIAN	(i) (ii)	630,769 0	25,000 0	0 0	0 0	19,193 0	674,962 0	0 0
BIPINKUMAR AMIN MD PHYSICIAN	(i) (ii)	610,000 0	0 0	0 0	0 0	19,193 0	629,193 0	0 0
JEFFERY BRINDLE MD PHYSICIAN	(i) (ii)	502,008 0	0 0	0 0	0 0	19,193 0	521,201 0	0 0
EVELIO GARCIA MD PHYSICIAN	(i) (ii)	1,091,546 0	130,000 0	29,616 0	0 0	19,193 0	1,270,355 0	0 0
SALEM MAALIKI MD PHYSICIAN	(i) (ii)	981,421 0	76,557 0	0 0	0 0	19,193 0	1,077,171 0	0 0

Schedule K  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.  
▶ Attach to Form 990. ▶ See separate instructions.  
▶ Information about Schedule K (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I

Bond Issues

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

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	7,260,429							
2	Amount of bonds legally defeased								
3	Total proceeds of issue	25,166,290							
4	Gross proceeds in reserve funds	3,303							
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows	24,731,480							
7	Issuance costs from proceeds	431,508							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2010							
		Yes	No	Yes	No	Yes	No	Yes	No
14	Were the bonds issued as part of a current refunding issue?	X							
15	Were the bonds issued as part of an advance refunding issue?	X							
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X							

Part III

Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?								
2	Are there any lease arrangements that may result in private business use of bond-financed property?								



Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?								
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?								
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?								
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?								
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?								

Part IV

Arbitrage

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

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V

Procedures To Undertake Corrective Action

Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations?	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
	X							

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
DATE REBATE COMPUTATION PERFORMED	ISSUER NAME SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY DATE THE REBATE COMPUTATION WAS PERFORMED 04/01/2013

Return Reference	Explanation
SCHEDULE K, PART II, LINE 3	THE DIFFERENCE IN THE ISSUANCE PRICE INCLUDED IN PART I, LINE A, COLUMN E OF \$21,672,812 IS DIFFERENT THAN THE TOTAL PROCEEDS OF ISSUANCE INCLUDED IN PART II, LINE 3 OF \$25,166,290 BECAUSE OF THE TRUSTEE FUNDS UTILIZED DURING THE REFINANCING

Schedule 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.  
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at  
[www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047  
**2013**  
Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

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

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

**Part IV Business Transactions Involving Interested Persons.**

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) WATERTOWN PUBLIC OPINION	TRUSTEE OF PLHS, MARK ROBY, WAS A KEY EMPLOYEE OF WATERTOWN PUBLIC OPINION	58,499	PLHS PAID TO ADVERTISE IN THE WATERTOWN PUBLIC OPINION		No
(2) BROWN CLINIC	TRUSTEE OF PLHS, CATHY GERRISH, WAS A KEY EMPLOYEE OF BROWN CLINIC	558,508	PLHS PAID BROWN CLINIC FOR CONTRACT HOSPITALIST PHYSICIANS, MEDICAL DIRECTORSHIP, AND TRAUMA CALL COVERAGE		No
(3) GREGORY GERRISH MD	TRUSTEE OF PLHS, CATHY GERRISH, IS THE MOTHER OF GREGORY GERRISH, MD	50,000	PLHS PAID A RESIDENCY STIPEND TO GREGORY GERRISH, MD		No

**Part V Supplemental Information**

Provide additional information for responses to questions on Schedule L (see instructions)

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.  
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at  
www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public  
Inspection

Name of the organization PRAIRIE LAKES HEALTH CARE SYSTEM INC	Employer identification number 46-0391067
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990 Schedule O, Supplemental Information

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 1	
FORM 990, PART VI, SECTION B, LINE 11	EXECUTIVE MANAGEMENT REVIEWED THE FORM 990 IN DETAIL THEY THEN PRESENTED THE FORM 990 TO THE FINANCE COMMITTEE CHAIR FOR FINAL REVIEW PRIOR TO FILING WITH THE IRS
FORM 990, PART VI, SECTION B, LINE 12C	A CONFLICT OF INTEREST STATEMENT IS SIGNED BY ALL BOARD MEMBERS ON AN ANNUAL BASIS THAT S TATEMENT DISCLOSES ANY AREAS THAT MAY HAVE A POTENTIAL FOR CONFLICT OF INTEREST WITH THEMSELVES OR FAMILY MEMBERS THE CONFLICT OF INTEREST POLICY IS MONITORED BY THE CEO AND THE BOARD AT BOARD MEETINGS, THE MEMBERS WILL EXCUSE THEMSELVES FROM ANY DISCUSSION OR VOTING ON AN ISSUE WHERE A CONFLICT MAY EXIST
FORM 990, PART VI, SECTION B, LINE 15	COMPENSATION COMPARABILITY STUDIES ARE REVIEWED EACH YEAR FOR ALL POSITIONS THE COMPENSATION STUDIES ARE CONDUCTED INTERNALLY BY THE HUMAN RESOURCES DEPARTMENT THE HUMAN RESOURCE S DEPARTMENT HAS ACCESS TO VARIOUS COMPENSATION SURVEYS WHICH THEY REVIEW IN ORDER TO DETERMINE IF THE HOSPITAL'S COMPENSATION IS REASONABLE COMPARED TO OTHER FACILITIES THE LAST COMPENSATION STUDY WAS PERFORMED IN 2014 THE BOARD APPROVES THE SALARY OF THE CEO THROUGH ITS EXECUTIVE COMMITTEE SERVING AS THE COMPENSATION COMMITTEE THE BOARD DELEGATES VICE PRESIDENT EXECUTIVE COMPENSATION APPROVAL TO CEO BASED ON THE ORGANIZATION'S COMPENSATION PHILOSOPHY IN CONJUNCTION WITH MARKET BENCHMARKS THE EXECUTIVE COMMITTEE REVIEWS AND APPROVES THE SALARIES OF OTHER KEY EMPLOYEES
FORM 990, PART VI, SECTION C, LINE 19	FINANCIAL STATEMENTS ARE AVAILABLE THROUGH FILINGS WITH BONDING AUTHORITY THE ORGANIZATION DOES NOT MAKE ITS GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY AVAILABLE TO THE PUBLIC
FORM 990, PART XI, LINE 9	CHANGE IN BENEFICIAL INTEREST IN PRAIRIE LAKES FOUNDATION 281,090

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.  
▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization  
PRAIRIE LAKES HEALTH CARE SYSTEM INC

Employer identification number  
46-0391067

Part I Identification of Disregarded Entities

Complete if the organization answered "Yes" on 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" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) PRAIRIE LAKES HOME CONNECTIONS INC 401 9TH AVE NW  WATERTOWN, SD 57201 46-0394984	HOMEMAKER & NURSING SERVICES	SD	501(C)(3)	9	PRAIRIE LAKES HEALTH CARE SYSTEM INC		No

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

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

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on 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



Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

1

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

a

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

b

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

c

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

d

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

e

Loans or loan guarantees by related organization(s)

f

Dividends from related organization(s)

g

Sale of assets to related organization(s)

h

Purchase of assets from related organization(s)

i

Exchange of assets with related organization(s)

j

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

k

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

l

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

m

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

n

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

o

Sharing of paid employees with related organization(s)

p

Reimbursement paid to related organization(s) for expenses

q

Reimbursement paid by related organization(s) for expenses

r

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

s

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

Yes

No

1a

No

1b

No

1c

No

1d

No

1e

No

1f

No

1g

No

1h

No

1i

No

1j

Yes

1k

No

1l

Yes

1m

Yes

1n

Yes

1o

Yes

1p

No

1q

Yes

1r

No

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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

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

[illegible]

Part VII

Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
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**PRAIRIE LAKES HEALTH CARE SYSTEM, INC.  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED MAY 31, 2014 AND 2013**

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE  
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CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Prairie Lakes Health Care System, Inc. and Affiliate (Prairie Lakes), which comprise the consolidated statements of financial position as of May 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements

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

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

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

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

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Prairie Lakes Health Care System, Inc and Affiliate as of May 31, 2014 and 2013, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
August 20, 2014

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 9,760,591	\$ 8,653,108
Accounts Receivable, Patients and Residents, Net of Allowances for Doubtful Accounts of \$5,260,543 in 2014 and \$4,954,062 in 2013	9,004,423	7,626,398
Inventories	1,499,071	1,542,896
Prepaid Expenses and Other	765,213	679,300
Funds Held by Trustee under Debt Agreement	454,205	453,925
Total Current Assets	<u>21,483,503</u>	<u>18,955,627</u>
<b>FUNDS DESIGNATED BY BOARD FOR FUTURE PLANT REPLACEMENT AND EXPANSION</b>	121,558,484	102,362,389
<b>FUNDS DESIGNATED BY BOARD FOR COMMUNITY BENEFIT</b>	2,234,303	2,210,578
<b>INVESTMENTS</b>	37,974,510	34,357,894
<b>BENEFICIAL INTEREST IN NET ASSETS OF PRAIRIE LAKES HEALTH CARE FOUNDATION</b>	3,759,262	3,478,172
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	49,038,957	51,457,797
<b>OTHER ASSETS</b>	<u>3,162,363</u>	<u>2,712,317</u>
Total Assets	<u><u>\$ 239,211,382</u></u>	<u><u>\$ 215,534,774</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 2,030,000	\$ 1,950,000
Accounts Payable, Trade	2,256,147	2,299,123
Construction Payable	-	162,538
Accrued Salaries and Employee Benefits	4,014,654	3,896,097
Accrued Interest	113,383	126,205
Estimated Third-Party Payor Settlements Payable	5,643,134	5,282,348
Total Current Liabilities	<u>14,057,318</u>	<u>13,716,311</u>
<b>OTHER LIABILITIES</b>	3,037,981	2,552,551
<b>LONG-TERM DEBT, Net of Current Maturities</b>	<u>12,382,383</u>	<u>14,518,220</u>
Total Liabilities	29,477,682	30,787,082
<b>CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted	205,974,438	181,269,520
Temporarily Restricted	3,759,262	3,478,172
Total Net Assets	<u>209,733,700</u>	<u>184,747,692</u>
Total Liabilities and Net Assets	<u><u>\$ 239,211,382</u></u>	<u><u>\$ 215,534,774</u></u>

See accompanying Notes to Consolidated Financial Statements



**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED MAY 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 79,940,267	\$ 77,468,143
Provision for Uncollectible Accounts	<u>(2,589,273)</u>	<u>(2,095,388)</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	77,350,994	75,372,755
Other Revenue	<u>2,772,738</u>	<u>1,316,739</u>
Total Revenue	80,123,732	76,689,494
<b>EXPENSES</b>		
Salaries and Benefits	39,292,222	35,088,938
Supplies and Other	29,302,765	27,758,928
Depreciation and Amortization	4,589,824	4,613,384
Interest	<u>693,344</u>	<u>753,686</u>
Total Expenses	<u>73,878,155</u>	<u>68,214,936</u>
<b>INCOME FROM OPERATIONS</b>	6,245,577	8,474,558
<b>NONOPERATING GAINS</b>		
Investment Income	18,408,112	27,149,066
Other	<u>51,229</u>	<u>39,955</u>
Total Nonoperating Gains	<u>18,459,341</u>	<u>27,189,021</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><u>\$ 24,704,918</u></u>	<u><u>\$ 35,663,579</u></u>

See accompanying Notes to Consolidated Financial Statements

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED MAY 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>UNRESTRICTED NET ASSETS</b>		
Excess of Revenue over Expenses	\$ 24,704,918	\$ 35,663,579
Capital Grants and Contributions	-	113,600
Total Change in Unrestricted Net Assets	<u>24,704,918</u>	<u>35,777,179</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Change in Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	<u>281,090</u>	<u>539,536</u>
<b>INCREASE IN NET ASSETS</b>	24,986,008	36,316,715
Net Assets - Beginning of Year	<u>184,747,692</u>	<u>148,430,977</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 209,733,700</u></u>	<u><u>\$ 184,747,692</u></u>

*See accompanying Notes to Consolidated Financial Statements*

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MAY 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 24,986,008	\$ 36,316,715
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Change in Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation	(281,090)	(539,536)
Capital Grants and Contributions	-	(113,600)
Depreciation and Amortization	4,589,824	4,613,384
Provision for Bad Debts	2,589,273	2,095,388
Net Gain on Investments	(18,408,112)	(27,149,066)
Loss on Disposal of Property	2,599	28,264
(Increase) Decrease in Assets		
Accounts Receivables	(3,967,298)	(2,255,729)
Inventories, Prepaid Expenses and Other	(493,752)	1,093,243
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	62,759	(308,158)
Estimated Third-Party Payor Settlements Payable	360,786	(186,674)
Other Liabilities	485,430	534,059
Net Cash Provided by Operating Activities	<u>9,926,427</u>	<u>14,128,290</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Short-Term Investments, Funds Held by Trustee, Funds Designated by Board, and Investments	(33,807,816)	(33,516,078)
Proceeds from Sale of Short-Term Investments, Funds Held by Trustee, Funds Designated by Board, and Investments	29,379,212	24,114,131
Purchases of Property, Plant and Equipment	<u>(2,440,340)</u>	<u>(1,993,928)</u>
Net Cash Used by Investing Activities	(6,868,944)	(11,395,875)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(1,950,000)	(1,895,000)
Capital Grants and Contributions	-	113,600
Net Cash Used by Financing Activities	<u>(1,950,000)</u>	<u>(1,781,400)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,107,483	951,015
Cash and Cash Equivalents - Beginning of Year	<u>8,653,108</u>	<u>7,702,093</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 9,760,591</u></u>	<u><u>\$ 8,653,108</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>		
Additions to Net Property and Equipment Funded through Construction Payable	<u>\$ -</u>	<u>\$ 162,538</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	<u><u>\$ 796,175</u></u>	<u><u>\$ 824,600</u></u>

See accompanying Notes to Consolidated Financial Statements

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2014 AND 2013**

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

**Organization and Purpose**

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

**Basis of Accounting**

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

**Tax Status**

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

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

The Health System's income tax returns are subject to review and examination by federal, state, and local authorities. The information tax returns for the years ended 2011 to 2013 are open to examination by federal, local, and state authorities.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2014 AND 2013**

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

**Patient Accounts Receivable**

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of patient accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System's allowance for doubtful accounts for self-pay patients remained consistent at 77% of self-pay accounts receivable at May 31, 2014 and 2013. The Health System's self-pay write-offs did decrease approximately \$663,000 from approximately \$2,946,000 for fiscal year 2013 to approximately \$2,283,000 for fiscal year 2014. The increase in the allowance for doubtful accounts was the result of higher self-pay balances as of May 31, 2014 compared to May 31, 2013. There were no significant changes in the charity care and uninsured discount policies during fiscal year 2014. See Note 8 for explanation of changes in the charity care and uninsured discount policies during fiscal year 2013. The Health System does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

**Inventories**

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

**Prepaid Expenses and Other**

Included in the prepaid expenses and other current assets are doctor and employee accounts receivable, and other miscellaneous receivables totaling \$261,301 and \$162,836 at May 31, 2014 and 2013, respectively.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2014 AND 2013**

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

**Investments**

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

**Property, Plant and Equipment**

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

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

**Impairment of Long-Lived Assets**

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying value, an impairment loss would be recognized. There were no impairments recorded in 2014 or 2013.

**Other Assets**

Other assets include deferred financing costs incurred in connection with the issuance of the Series 2010 bond issuance (see Note 4), which are amortized on a straight-line basis over the life of the related debt. Deferred financing costs of \$409,272 at May 31, 2014 and 2013 are presented net of accumulated amortization of \$151,132 and \$106,879 as of May 31, 2014 and 2013, respectively.

Also included within other assets is goodwill from the purchase of Mallard Pointe (a local surgical center) during 2005, with an original cost of \$291,208. At May 31, 2014 and 2013, the ending value of goodwill was \$207,890 and \$209,508, respectively. As of May 31, 2014 and 2013, management has determined that goodwill is not impaired.

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2014 AND 2013**

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

**Funds Held by Trustee under Debt Agreement**

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

**Net Patient Service Revenue**

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

**Charity Care**

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

**Electronic Health Record Incentive Payments**

Prairie Lakes recognizes revenue at the completion of the EHR reporting period when all meaningful use objectives and any other specific grant requirements that are applicable are met, e.g., electronic transmission of quality measures to CMS in the second and subsequent payment years. The Health system has not yet met all requirements for the third year incentive payment. There is not a receivable recorded related to the Electronic Health Records (EHR) Incentive Program as of May 31, 2014 or 2013. See Note 6 for additional information on the EHR Incentive Program.

**Employee Health Insurance**

Prairie Lakes maintains a self-insured employee health benefit program. Stop-loss has been purchased for individual losses in excess of \$70,000 at May 31, 2014 and 2013, through an insurance company. Estimated unprocessed claims and claims incurred but not reported at May 31, 2014 and 2013 were approximately \$1,200,000 and \$1,198,000, respectively, and are included as accrued salaries and employee benefits in the consolidated statements of financial position.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2014 AND 2013**

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

**Donor-Restricted Gifts**

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

**Capital Grants and Contributions**

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

**Statements of Operations**

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

**Derivative Instruments and Hedging Activities**

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

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

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

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



**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2014 AND 2013**

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

**Fair Value of Financial Instruments**

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

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

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

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

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 11 to the consolidated financial statements for the fair market value disclosures of the Health System's financial instruments as of May 31, 2014 and 2013.

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

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2014 AND 2013**

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

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

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

**Subsequent Events**

In preparing the consolidated financial statement, the Health System has considered events and transactions that have occurred through August 20, 2014, the date in which the consolidated financial statements were available to be issued.

**NOTE 2    INVESTMENTS**

Investments, funds designated by the board of directors (Board) for future plant replacement and expansion, funds designated by the board of directors for community benefit, and funds held by the trustee under debt agreement are stated at fair value, which is based upon the quoted market prices at the reporting date or other fair value estimation processes as described in Note 11.

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2014 AND 2013**

**NOTE 2 INVESTMENTS (CONTINUED)**

A summary of investments by type at May 31, 2014 and 2013 is as follows

	<u>2014</u>	<u>2013</u>
Funds Designated by Board for Future Plant Replacement and Expansion		
Money Market Funds	\$ 32,065,050	\$ 20,810,598
Bonds - Government	83,590	296,729
Bonds - Corporate	16,718,320	14,763,198
Preferred Stocks	3,835,996	3,275,498
Equities	66,906,642	63,121,370
Real Estate Equity Fund	1,761,773	-
Accrued Interest	187,113	94,996
Total Funds Designated by Board for Future Plant Replacement and Expansion	<u>121,558,484</u>	<u>102,362,389</u>
Funds Designated by Board for Community Benefit		
Money Market Funds	700,169	700,098
Bonds - Corporate	515,685	501,955
Equities	1,018,449	1,008,525
Total Funds Designated by Board for Community Benefit	<u>2,234,303</u>	<u>2,210,578</u>
Investments		
Money Market Funds	254,175	556,470
Preferred Stocks	3,222,104	4,309,097
Equities	34,486,636	29,483,053
Accrued Interest	11,595	9,274
Total Investments	<u>37,974,510</u>	<u>34,357,894</u>
Funds Held by Trustee under Debt Agreement		
Money Market Funds	364,222	292,056
Bonds - Government	89,940	161,869
Accrued Interest	43	-
Total Funds Held by Trustee under Debt Agreement	<u>454,205</u>	<u>453,925</u>
Total Investments	<u>\$ 162,221,502</u>	<u>\$ 139,384,786</u>

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

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**NOTE 2 INVESTMENTS (CONTINUED)**

Total investment return, all related to unrestricted net assets, net of fees paid of \$262,956 and \$181,755 for the years ended May 31, 2014 and 2013, respectively, consisted of the following

	<u>2014</u>	<u>2013</u>
<u>Other Revenue</u>		
Dividends and Interest Earned on Funds Held by Trustee	\$ 1,077	\$ 1,403
 <u>Non-Operating Gains</u>		
Other Dividends and Interest Earnings	460,485	473,864
Net Realized Gains on Investments	9,109,474	7,533,987
Net Unrealized Gains on Investments	8,838,153	19,141,215
Total Non-Operating Gains	<u>18,408,112</u>	<u>27,149,066</u>
 Total Investment Return	<u>\$ 18,409,189</u>	<u>\$ 27,150,469</u>

**NOTE 3 PROPERTY, PLANT AND EQUIPMENT**

A summary of property, plant and equipment and the related accumulated depreciation at May 31, 2014 and 2013 is as follows

	<u>2014</u>	<u>2013</u>
Land and Improvements	\$ 7,781,987	\$ 7,743,003
Buildings and Fixed Equipment	74,348,860	73,758,099
Movable Equipment	25,648,073	25,352,129
Construction-in-Progress	83,307	247,773
Total Property, Plant and Equipment	<u>107,862,227</u>	<u>107,101,004</u>
Less Accumulated Depreciation	<u>58,823,270</u>	<u>55,643,207</u>
Property, Plant and Equipment, Net	<u>\$ 49,038,957</u>	<u>\$ 51,457,797</u>

**Construction-in-Progress**

At May 31, 2014, construction-in-progress included costs incurred related to a clinic renovation project and a telephone system upgrade. Both projects are being financed internally, and are expected to be completed in the year ended May 31, 2015.

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**NOTE 4    LONG-TERM DEBT**

Long-term debt at May 31, 2014 and 2013, consisted of the following

<u>Description</u>	<u>2014</u>	<u>2013</u>
South Dakota Health and Education Facilities Authority Revenue Refunding Bonds, Series 2010 (Prairie Lakes Health Care System Issue), interest from 3.0% to 5.0%, due through 2020, secured by mortgage on the hospital facility and security interest in certain equipment, contract rights, and general intangibles of Prairie Lakes	\$ 13,795,000	\$ 15,745,000
Series 2010 Unamortized Premium	617,383	723,220
Total	14,412,383	16,468,220
Less: Current Maturities	2,030,000	1,950,000
Long-Term Debt	<u>\$ 12,382,383</u>	<u>\$ 14,518,220</u>

**Restrictive Covenants**

Under the Series 2010 bonds, Prairie Lakes must meet certain operational and performance covenants and is limited in the amount of additional debt which can be incurred. Management believes Prairie Lakes was in compliance with all debt covenants as of May 31, 2014 and 2013.

Maturities of the Prairie Lakes' long-term debt at May 31, 2014 are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2015	\$ 2,030,000
2016	2,130,000
2017	2,235,000
2018	2,345,000
2019	2,465,000
Thereafter	2,590,000
Total	<u>\$ 13,795,000</u>

Prairie Lakes incurred \$693,344 and \$753,686 of interest expense during the years ended May 31, 2014 and 2013, respectively, of which no amounts were capitalized.

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**NOTE 5    NET PATIENT SERVICE REVENUE**

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

**Medicare**

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

**Medicaid**

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

Net revenue from the Medicare and Medicaid programs accounted for approximately 55% and 4%, respectively, of the Health System's net patient revenue for the year ended 2014, and 54% and 5%, respectively, of the Health System's net patient revenue for the year ended 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Uninsured Patients**

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

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

**Uninsured Patients (Continued)**

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

	<u>2014</u>	<u>2013</u>
Patient Service Revenue (Net of Contractual Allowances and Discounts) from		
Third-Party Payors	\$ 76,172,491	\$ 73,815,028
Uninsured Patients	<u>3,767,776</u>	<u>3,653,115</u>
	79,940,267	77,468,143
 Provision for Uncollectible Accounts	 <u>(2,589,273)</u>	 <u>(2,095,388)</u>
 Net Patient Service Revenue Less Provision for Uncollectible Accounts	 <u><u>\$ 77,350,994</u></u>	 <u><u>\$ 75,372,755</u></u>

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

Gross patient service revenue at established rates less third-party payor contractual allowances and discounts and provision for uncollectible accounts for the years ended May 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Hospital Inpatient	\$ 52,885,517	\$ 51,108,446
Hospital Outpatient	81,521,729	72,793,634
Extended Care	13,459,985	9,749,566
Clinics	<u>5,497,448</u>	<u>5,605,543</u>
Gross Patient Service Revenue	153,364,679	139,257,189
Less Contractual Allowances and Discounts	73,424,412	61,789,046
Less Provision for Uncollectible Accounts	<u>2,589,273</u>	<u>2,095,388</u>
Net Patient Service Revenue Less Provision for Uncollectible Accounts	<u><u>\$ 77,350,994</u></u>	<u><u>\$ 75,372,755</u></u>

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
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**NOTE 6    ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM**

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

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

The Health System demonstrated meaningful use to the 90-day period ended April 14, 2012 in the year ended May 31, 2012. The incentive payment was received during the year ended May 31, 2013. The amount receivable in the fiscal year 2012 was recognized as other operating revenues in the consolidated statements of operations for the year ended May 31, 2012. The Health System recognizes revenue using the grant accounting model. The final amount of the incentive payment was determined during the year ended May 31, 2013 based on the cost report filed for the year ended May 31, 2012. The final payment materially agreed to the recorded receivable, and any difference in estimate was recorded as other operating revenues in the current year. During the year ended May 31, 2014, the Health System has met the full 365-day meaningful use attestation period for the second year of payment. The payment for the second year incentive was also received during the year ended May 31, 2014, and is recorded as other operating revenues in the consolidated statements of operations. All requirements were not yet met for the third year payment as of May 31, 2014, therefore, no receivable has been recorded as of year-end.

**NOTE 7    RETIREMENT PLANS**

**Pension Plan**

Prairie Lakes has a defined contribution retirement plan covering substantially all employees. Prairie Lakes matches 100% of the employees' contributions up to 3% of their salary, and contributions are made biweekly into the plan. For fiscal 2014 and 2013, pension expense was \$618,821 and \$533,885, respectively, and is included in salaries and benefits expense on the consolidated statements of operations.



**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
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**NOTE 7    RETIREMENT PLANS (CONTINUED)**

**Deferred Compensation Plan**

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

**NOTE 8    COMMUNITY BENEFIT AND CHARITY CARE**

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

Prairie Lakes also provides medical care without charge or at a reduced charge to the residents of the community it serves. In October 2005, the Charity Care policy was modified by allowing for more residents to qualify for charity benefits. The revised policy increased eligibility for charity benefits by changing the patient income threshold to 200% of the Federal Poverty Guidelines. In addition, the eligibility formula now excludes some assets and limits the percent of income used in the calculation. In the year ended May 31, 2013, the charity care was modified to comply with the provisions of IRS 501(r), which provides for a discount from billed charges to those that qualify for financial assistance for medically necessary services. The level of charity care provided, as defined by services rendered without charge or at a reduced charge was approximately \$3,750,000 and \$3,630,000 for the years ended May 31, 2014 and 2013, respectively. The cost related to these services was approximately \$1,806,000 and \$1,780,000 for the years ended May 31, 2014 and 2013, respectively. The cost of charity care is estimated using the Health System's overall cost to charge ratios.

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**NOTE 9 CONCENTRATIONS OF CREDIT RISKS**

Prairie Lakes grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patient and third-party payors at May 31, 2014 and 2013 was as follows:

	2014	2013
Medicare	32.4 %	29.7 %
Private Pay	26.4	28.3
Commercial and Other	25.9	26.5
Medicaid	3.2	2.7
Blue Cross	12.1	12.8
Total	<u>100.0 %</u>	<u>100.0 %</u>

**NOTE 10 FUNCTIONAL EXPENSES**

Prairie Lakes provides general health care services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations for the years ended May 31, 2014 and 2013 are as follows:

	2014	2013
Health Care Services	\$ 64,075,157	\$ 58,975,437
General and Administrative	9,802,998	9,239,499
Total Expenses	<u>\$ 73,878,155</u>	<u>\$ 68,214,936</u>

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
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**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Health System uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Health System measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Health System measured at fair value on a recurring basis as of May 31, 2014 and 2013.

2014	Level 1	Level 2	Level 3	Total
Funds Designated by Board for Future Plant Replacement and Expansion				
Bonds - Government	\$ 83,590	\$ -	\$ -	\$ 83,590
Bonds - Corporate	16,718,320	-	-	16,718,320
Preferred Stocks	3,835,996	-	-	3,835,996
Equities	66,906,642	-	-	66,906,642
Real Estate Equity Fund	-	-	1,761,773	1,761,773
	<u>87,544,548</u>	<u>-</u>	<u>1,761,773</u>	<u>89,306,321</u>
Funds Designated by Board for Community Benefit				
Bonds - Corporate	515,685	-	-	515,685
Equities	1,018,449	-	-	1,018,449
	<u>1,534,134</u>	<u>-</u>	<u>-</u>	<u>1,534,134</u>
Investments				
Preferred Stocks	3,222,104	-	-	3,222,104
Equities	34,486,636	-	-	34,486,636
	<u>37,708,740</u>	<u>-</u>	<u>-</u>	<u>37,708,740</u>
Funds Held by Trustee under Debt Agreement				
Bonds - Government	89,940	-	-	89,940
Beneficial Interest in Net Assets of Prairie Lakes Health Care Foundation				
	-	-	3,759,262	3,759,262
	<u>\$ 126,877,362</u>	<u>\$ -</u>	<u>\$ 5,521,035</u>	<u>\$ 132,398,397</u>

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

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

The following table provides a summary of changes to fair value of the Health System's Level 3 financial assets and liabilities for the years ended May 31, 2014 and 2013

	Real Estate Equity Fund	Beneficial Interest in Prairie Lakes Health Care Foundation
Fair Value at May 31, 2012	\$ -	\$ 2,938,636
Change in Value of Beneficial Interest	-	539,536
Fair Value at May 31, 2013	-	3,478,172
Capital Contributions	1,925,000	-
Distributions Received	(176,288)	-
Realized Gains	5,295	-
Unrealized Gains	85,947	-
Fees and Other Expenses	(78,181)	-
Change in Value of Beneficial Interest	-	281,090
Fair Value at May 31, 2014	<u>\$ 1,761,773</u>	<u>\$ 3,759,262</u>

**PRAIRIE LAKES HEALTH CARE SYSTEM, INC. AND AFFILIATE**  
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**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

The Real Estate Equity Fund is a private equity fund holding underlying positions mainly in partnerships and corporations owning private and commercial real estate assets. The unobservable inputs used to determine the fair value of the Real Estate Equity Fund have been estimated based on the capital account balances reported by the underlying partnerships and corporations, subject to the fund's management review and judgment. The fund and the underlying investments are valued quarterly and have restrictive liquidity provisions. The Health System has unfunded capital commitments to the underlying fund of \$750,000 at May 31, 2014.

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

The following disclosures represent financial instruments in which the ending balances at May 31, 2014 and 2013 are not carried at fair value in their entirety on the consolidated balance sheets.

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Refunding Revenue Bonds	\$ 14,412,383	\$ 14,853,542	\$ 16,468,220	\$ 17,236,000

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

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

Prairie Lakes leases certain space and equipment under both cancelable and noncancelable operating lease agreements. Rent expense, including operating expenses, under both cancelable and noncancelable operating leases was \$205,312 and \$127,773 for fiscal 2014 and 2013, respectively.

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

**Healthcare Legislation and Regulation**

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

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

**Malpractice Insurance**

The Health System has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim, an annual aggregate limit of \$3 million, with umbrella coverage up to \$5 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Coverage under the current policy extends to April 2015.