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2013

Open to Public  
Inspection

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)

## A For the 2013 calendar year, or tax year beginning 07-01-2013, 2013, and ending 06-30-2014

|   |  |  |   |                              |
|---|--|--|---|------------------------------|
| B Check if applicable   | C Name of organization<br>AVERA MARSHALL   |  | D Employer identification number<br>41-0919153  |                              |
| <input type="checkbox"/> Address change   | Doing Business As<br>AVERA MARSHALL REGIONAL MEDICAL CENTER  |  | E Telephone number<br>(507) 532-9661  |                              |
| <input type="checkbox"/> Name change  | Number and street (or P O box if mail is not delivered to street address)<br>300 S BRUCE STREET                      |  | F Gross receipts \$ 68,882,866  |                              |
| <input type="checkbox"/> Initial return   | Room/suite   |  | G Gross receipts \$ 68,882,866  |                              |
| <input type="checkbox"/> Terminated   | City or town, state or province, country, and ZIP or foreign postal code<br>MARSHALL, MN 562581934                   |  |   |                              |
| <input type="checkbox"/> Amended return   | H(a) Is this a group return for subordinates?<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |  |   |                              |
| <input type="checkbox"/> Application pending  | H(b) Are all subordinates included?<br>If "No," attach a list (see instructions)                                     |  |   |                              |
| I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 |  |  | H(c) Group exemption number ►   |                              |
| J Website: ► WWW.AVERAMARSHALL.ORG  |  |  | K Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ► |                              |
|   |  |  | L Year of formation 1944  | M State of legal domicile MN |

## Part I Summary

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

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

|   |    |         |
|---|----|---------|
| 3 Number of voting members of the governing body (Part VI, line 1a)             | 3  | 13      |
| 4 Number of independent voting members of the governing body (Part VI, line 1b) | 4  | 9       |
| 5 Total number of individuals employed in calendar year 2013 (Part V, line 2a)  | 5  | 605     |
| 6 Total number of volunteers (estimate if necessary)                            | 6  | 180     |
| 7a Total unrelated business revenue from Part VIII, column (C), line 12         | 7a | 142,328 |
| b Net unrelated business taxable income from Form 990-T, line 34                | 7b | 54,497  |

|   |            |              |
|---|------------|--------------|
| 8 Contributions and grants (Part VIII, line 1h)                                     | Prior Year | Current Year |
| 9 Program service revenue (Part VIII, line 2g)                                      | 1,197,386  | 3,755,049    |
| 10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)                    | 59,394,411 | 64,033,690   |
| 11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)         | 884,060    | 964,436      |
| 12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 50,941     | -56,575      |
|   | 61,526,798 | 68,696,600   |

|  |            |            |
|--|------------|------------|
| 13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)                  | 515,774    | 52,707     |
| 14 Benefits paid to or for members (Part IX, column (A), line 4)                     | 0          | 0          |
| 15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) | 31,401,820 | 33,602,766 |
| 16a Professional fundraising fees (Part IX, column (A), line 11e)                    | 0          | 0          |
| b Total fundraising expenses (Part IX, column (D), line 25) ► 110,571                |            |            |
| 17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)                      | 27,732,863 | 30,186,660 |
| 18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)          | 59,650,457 | 63,842,133 |
| 19 Revenue less expenses Subtract line 18 from line 12                               | 1,876,341  | 4,854,467  |

|  |  | Beginning of Current Year | End of Year |
|--|--|---------------------------|-------------|
| 20 Total assets (Part X, line 16)                            |  | 67,602,319                | 75,049,665  |
| 21 Total liabilities (Part X, line 26)                       |  | 22,737,987                | 23,410,728  |
| 22 Net assets or fund balances Subtract line 21 from line 20 |  | 44,864,332                | 51,638,937  |

## 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                    | *****                | 2015-05-12 |
|                              | Signature of officer | Date       |
| RANDY GAFFNEY BOARD CHAIR    |                      |            |
| Type or print name and title |                      |            |

|                        |  |                         |                 |   |                |
|------------------------|--|-------------------------|-----------------|---|----------------|
| Paid Preparer Use Only | Print/Type preparer's name<br>KIM HUNWARDSEN CPA                         | Preparer's signature    | Date 2015-05-12 | Check <input type="checkbox"/> if self-employed | PTIN P00484560 |
|                        | Firm's name ► EIDE BAILLY LLP  | Firm's EIN ► 45-0250958 |                 |   |                |
|                        | Firm's address ► 800 NICOLLET MALL STE 1300<br>MINNEAPOLIS, MN 554027033 | Phone no (612) 253-6500 |                 |   |                |

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

**Part III Statement of Program Service Accomplishments**Check if Schedule O contains a response or note to any line in this Part III **1** Briefly describe the organization's mission

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

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

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

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

If "Yes," describe these changes on Schedule O

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

|           |  |
|-----------|--|
| <b>4a</b> | (Code ) (Expenses \$ 35,459,009 including grants of \$ 52,707 ) (Revenue \$ 46,621,209 ) |
|-----------|--|

AVERA MARSHALL (DBA AVERA MARSHALL REGIONAL MEDICAL CENTER) IS A NON-PROFIT ORGANIZATION, AFFILIATED WITH AVERA HEALTH. AVERA MARSHALL CONSISTS OF A 25-BED CRITICAL ACCESS HOSPITAL, AN ATTACHED 76-BED NURSING HOME, THREE PHYSICIAN CLINICS, AND SIX OPTOMETRY CLINICS. THE PHYSICIAN CLINICS INCLUDE SPECIALTY SERVICES (PRIMARY CARE, OB/GYN, PEDIATRICS, ORTHOPEDICS, GENERAL SURGERY, PODIATRY AND INTERNAL MEDICINE), PSYCHIATRY SERVICES AND OPHTHALMOLOGY SERVICES. IN FISCAL YEAR 2014, AVERA MARSHALL HAD 3,870 PATIENT DAYS IN ADDITION TO 1,028 NEWBORN PATIENT DAYS, 285 SWING-BED DAYS, AND 2,476 BEHAVIORAL-HEALTH BED DAYS. AVERA MARSHALL IS A LEVEL III TRAUMA CENTER FOR EMERGENCY SERVICES AWARDS AND RECOGNITION. AVERA MARSHALL HAS BEEN THE RECIPIENT OF FIVE SAFETY AWARDS FROM THE MINNESOTA HOSPITAL ASSOCIATION OVER THE PAST SEVERAL YEARS, INCLUDING SAFE FROM FALLS JUNE 2008, SAFE SITE OCTOBER 2008, SAFE COUNT JANUARY 2009, SAFE SKIN APRIL 2009, SAFE ACCOUNT MARCH 2011. STRATEGIC ACCOMPLISHMENTS: JOINT VENTURES - A HOME MEDICAL EQUIPMENT STORE IN MARSHALL IS A JOINT VENTURE BETWEEN AVERA MARSHALL AND AVERA MCKENNAN IN SIOUX FALLS. THE SHOWROOM FEATURES EQUIPMENT AND SUPPLIES RANGING FROM SMALL PERSONAL CARE ITEMS TO BEDS AND WHEELCHAIRS, IN ADDITION TO OXYGEN SUPPLIES AND SERVICE MANAGEMENT AGREEMENTS - AVERA MARSHALL HAS A "PARTNER IN HEALTH AGREEMENT" WITH OTHER NON-PROFIT ORGANIZATIONS, WHICH INCLUDE DIVINE PROVIDENCE HEALTH CENTER IN IVANHOE, MN AND WESTERN MENTAL HEALTH CENTER IN MARSHALL, MN PARTNERSHIPS - AVERA MARSHALL HAS A PARTNERSHIP ARRANGEMENT FOR THERAPY SERVICES WITH BIG STONE THERAPIES, INC., TO OFFER HOSPITAL AND LONG TERM CARE BASED SERVICES TO INPATIENTS AND OUTPATIENTS. PHYSICIAN RECRUITMENT - AVERA MARSHALL HAS BEEN SUCCESSFUL IN RECRUITING 38 PROVIDERS TO THE AVERA MEDICAL GROUP SINCE 2009. SURGERY CENTER - A NEW SURGERY CENTER OPENED IN THE SUMMER OF 2010, FEATURING STATE-OF-THE ART EQUIPMENT AND DESIGN CONCEPTS. IT INCLUDES THE SAME DAY SURGERY CENTER AND PROCEDURE/TREATMENT ROOMS, ALONG WITH FOUR COMPLETE OPERATING ROOMS. AVERA MARSHALL BEGAN OFFERING MEDICATION THERAPY MANAGEMENT THROUGH THE PHARMACY DEPARTMENT IN OCTOBER 2012. AVERA MARSHALL WORKED WITH AVERA MARSHALL FOUNDATION AND AVERA MCKENNAN ON A CAPITAL CAMPAIGN FOR A CANCER CENTER (RADIATION THERAPY) DURING FISCAL YEARS 2013 AND 2014. THE GROUNDBREAKING FOR AVERA CANCER INSTITUTE MARSHALL TOOK PLACE IN LATE OCTOBER 2013. CONSTRUCTION STARTED IN NOVEMBER 2013 AND OPENED IN JANUARY 2015.

|           |   |
|-----------|---|
| <b>4b</b> | (Code ) (Expenses \$ 5,123,364 including grants of \$ ) (Revenue \$ 5,313,988 ) |
|-----------|---|

AGING SERVICES - THE NEIGHBORHOOD MODEL HAS RESULTED IN CHANGES TO THE WAY CARE IS PROVIDED IN THE LONG TERM CARE FACILITY. MORE CHOICES FROM THE RESIDENT ON SCHEDULES, ACTIVITIES AND DINING EXPERIENCES HAS RESULTED IN SOME REMODELING AND MODIFIED STAFFING PATTERNS. CARE TRANSITIONS OFFERS INDIVIDUALS A PLACE FOR RECOVERY AND REHAB FOLLOWING AN ILLNESS, INJURY OR SURGERY.

|           |   |
|-----------|---|
| <b>4c</b> | (Code ) (Expenses \$ 12,917,674 including grants of \$ ) (Revenue \$ 12,105,778 ) |
|-----------|---|

CLINIC ADDITION - DURING FISCAL YEAR 2013, A PHYSICIAN OFFICE BUILDING WAS COMPLETED THAT ADDED 40 CLINIC ROOMS, LAB AND IMAGING SPACE. THE SINGULAR LOCATION FOR AVERA MEDICAL GROUP SPECIALTY PHYSICIANS TO OFFER THEIR SERVICES HAS ENHANCED THE PATIENT EXPERIENCE AND CREATED A WELCOME, PRIVATE ENVIRONMENT FOR PEOPLE NEEDING PHYSICIAN SERVICES. AVERA MARSHALL EXPANDED INTO FAMILY PRACTICE COVERAGE IN 2012. AT THE CONCLUSION OF FISCAL 2014, AVERA MARSHALL HAD 9 FAMILY PRACTICE PROVIDERS. IN AUGUST 2013, THE FAMILY PRACTICE PROVIDERS MOVED TO A NEW LOCATION WITHIN THE HOSPITAL CAMPUS. AVERA MARSHALL ALSO HAS A FAMILY PRACTICE CLINIC IN IVANHOE, MN AND REDWOOD FALLS, MN. PODIATRY SERVICES BEGAN IN SEPTEMBER 2012. A MEDICAL WEIGHT LOSS PROGRAM BEGAN IN JANUARY 2013. PALLIATIVE MEDICINE BECAME A CERTIFIED PROGRAM IN JANUARY 2013. AVERA MEDICAL GROUP MARSHALL WAS CERTIFIED AS A MEDICAL HOME (COORDINATED CARE SERVICES) IN SEPTEMBER 2013. AVERA MARSHALL IS ALSO WORKING ON RECOGNITION AS A CERTIFIED BEHAVIORAL HEALTH HOME OUTREACH - AVERA MARSHALL PROVIDES OUTREACH CARE IN GENERAL SURGERY, OB/GYN, PODIATRY AND OPHTHALMOLOGY. INCREASING ACCESS IN LOCAL COMMUNITIES BY BRINGING THE SPECIALIST TO THE PEOPLE AND MAKING IT MORE CONVENIENT FOR THOSE WHO NEED CARE. THIS IS ESPECIALLY IMPORTANT FOR THE ELDERLY POPULATIONS WHO HAVE CONCERNES ABOUT TRAVEL OR PHYSICAL LIMITATIONS. DURING FISCAL YEAR 2014, AVERA MARSHALL STARTED BRINGING VISITING SPECIALISTS IN ENT AND CARDIOLOGY SERVICES TO PROVIDE OUTREACH CARE IN MARSHALL.

|           |  |
|-----------|--|
| <b>4d</b> | Other program services (Describe in Schedule O ) |
|-----------|--|

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

|           |   |            |
|-----------|---|------------|
| <b>4e</b> | <b>Total program service expenses ►</b> | 53,500,047 |
|-----------|---|------------|

**Part IV Checklist of Required Schedules**

1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A

2 Is the organization required to complete Schedule B, *Schedule of Contributors* (see instructions)?

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

4 **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II

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

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

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

8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III

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

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

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
- 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
- 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
- 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
- e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X
- 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 XI

12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII

- 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

13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

14a Did the organization maintain an office, employees, or agents outside of the United States?

- 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

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

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

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)

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

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

20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H

- b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?

|     | Yes | No |
|-----|-----|----|
| 1   | Yes |    |
| 2   | Yes |    |
| 3   |     | No |
| 4   | Yes |    |
| 5   |     | No |
| 6   |     | No |
| 7   |     | No |
| 8   |     | No |
| 9   | Yes |    |
| 10  |     | No |
| 11a | Yes |    |
| 11b | Yes |    |
| 11c |     | No |
| 11d |     | No |
| 11e | Yes |    |
| 11f | Yes |    |
| 12a |     | No |
| 12b | Yes |    |
| 13  |     | No |
| 14a |     | No |
| 14b |     | No |
| 15  |     | No |
| 16  |     | No |
| 17  |     | No |
| 18  |     | No |
| 19  |     | No |
| 20a | Yes |    |
| 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? If "Yes," complete Schedule I, Parts I and II  | 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? If "Yes," complete Schedule I, Parts I and III  | 22  | Yes |  |
| 23  | Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J  | 23  | Yes |  |
| 24a | Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a                            | 24a | No  |  |
| b   | Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?   | 24b |     |  |
| c   | Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?  | 24c |     |  |
| d   | Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?   | 24d |     |  |
| 25a | <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? If "Yes," complete Schedule L, Part I  | 25a | No  |  |
| b   | Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I                                       | 25b | No  |  |
| 26  | 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? If so, complete Schedule L, Part II                                    | 26  | Yes |  |
| 27  | Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III | 27  | No  |  |
| 28  | Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)  | 28a | No  |  |
| a   | A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV   | 28b | Yes |  |
| b   | A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV  | 28c | No  |  |
| c   | An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV  | 29  | No  |  |
| 30  | Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M  | 30  | No  |  |
| 31  | Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I  | 31  | No  |  |
| 32  | Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II  | 32  | No  |  |
| 33  | Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I  | 33  | No  |  |
| 34  | Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1  | 34  | Yes |  |
| 35a | Did the organization have a controlled entity within the meaning of section 512(b)(13)?   | 35a | Yes |  |
| b   | If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2   | 35b | Yes |  |
| 36  | <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2   | 36  | No  |  |
| 37  | Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI   | 37  | No  |  |
| 38  | Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <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 |
|--|------------|-----|----|
| <b>1a</b> Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . . .  | <b>1a</b>  | 93  |    |
| <b>b</b> Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable  | <b>1b</b>  | 0   |    |
| <b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . .  | <b>1c</b>  | Yes |    |
| <b>2a</b> Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return . . .  | <b>2a</b>  | 605 |    |
| <b>b</b> If at least one is reported on line 2a, did the organization file all required federal employment tax returns?<br><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)  | <b>2b</b>  | Yes |    |
| <b>3a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year? . . .  | <b>3a</b>  | Yes |    |
| <b>b</b> If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O . . .   | <b>3b</b>  | Yes |    |
| <b>4a</b> At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? . . .                           | <b>4a</b>  | No  |    |
| <b>b</b> If "Yes," enter the name of the foreign country ►<br>See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts  |            |     |    |
| <b>5a</b> Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .  | <b>5a</b>  | No  |    |
| <b>b</b> Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?  | <b>5b</b>  | No  |    |
| <b>c</b> If "Yes," to line 5a or 5b, did the organization file Form 8886-T? . . .  | <b>5c</b>  |     |    |
| <b>6a</b> Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .  | <b>6a</b>  | No  |    |
| <b>b</b> If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . .   | <b>6b</b>  |     |    |
| <b>7 Organizations that may receive deductible contributions under section 170(c).</b>   | <b>7a</b>  | No  |    |
| <b>a</b> Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? . . .   | <b>7b</b>  |     |    |
| <b>b</b> If "Yes," did the organization notify the donor of the value of the goods or services provided? . . .   | <b>7c</b>  | No  |    |
| <b>c</b> Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . .  | <b>7d</b>  |     |    |
| <b>e</b> Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . .   | <b>7e</b>  | No  |    |
| <b>f</b> Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .  | <b>7f</b>  | No  |    |
| <b>g</b> If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . .  | <b>7g</b>  |     |    |
| <b>h</b> If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . .  | <b>7h</b>  |     |    |
| <b>8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . | <b>8</b>   |     |    |
| <b>9 Sponsoring organizations maintaining donor advised funds.</b>   | <b>9a</b>  |     |    |
| <b>a</b> Did the organization make any taxable distributions under section 4966? . . .   | <b>9b</b>  |     |    |
| <b>10 Section 501(c)(7) organizations.</b> Enter   | <b>10a</b> |     |    |
| <b>a</b> Initiation fees and capital contributions included on Part VIII, line 12 . . .  | <b>10b</b> |     |    |
| <b>b</b> Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities   |            |     |    |
| <b>11 Section 501(c)(12) organizations.</b> Enter  | <b>11a</b> |     |    |
| <b>a</b> Gross income from members or shareholders . . .   | <b>11b</b> |     |    |
| <b>b</b> Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) . . .   |            |     |    |
| <b>12a Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041? . . .  | <b>12a</b> |     |    |
| <b>b</b> If "Yes," enter the amount of tax-exempt interest received or accrued during the year . . .   | <b>12b</b> |     |    |
| <b>13 Section 501(c)(29) qualified nonprofit health insurance issuers.</b>   | <b>13a</b> |     |    |
| <b>a</b> Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note.</b> See the instructions for additional information the organization must report on Schedule O   | <b>13b</b> |     |    |
| <b>b</b> Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans . . .   | <b>13c</b> |     |    |
| <b>14a</b> Did the organization receive any payments for indoor tanning services during the tax year? . . .  | <b>14a</b> | No  |    |
| <b>b</b> If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . .   | <b>14b</b> |     |    |

**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 |
|--|-----------|-----|-----|----|
| <b>1a</b> Enter the number of voting members of the governing body at the end of the tax year  | <b>1a</b> | 13  |     |    |
| If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O             |           |     |     |    |
| <b>b</b> Enter the number of voting members included in line 1a, above, who are independent  | <b>1b</b> | 9   |     |    |
| <b>2</b> 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?   | <b>2</b>  | Yes |     |    |
| <b>3</b> 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? | <b>3</b>  | No  |     |    |
| <b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?  | <b>4</b>  | No  |     |    |
| <b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets?  | <b>5</b>  | No  |     |    |
| <b>6</b> Did the organization have members or stockholders?  | <b>6</b>  | Yes |     |    |
| <b>7a</b> 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?   | <b>7a</b> | Yes |     |    |
| <b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?   | <b>7b</b> | Yes |     |    |
| <b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following  | <b>8a</b> | Yes |     |    |
| <b>a</b> The governing body?   | <b>8b</b> | Yes |     |    |
| <b>b</b> Each committee with authority to act on behalf of the governing body?   | <b>9</b>  | No  |     |    |
| <b>9</b> 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        |           |     |     |    |

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

|   |            | Yes | No |
|---|------------|-----|----|
| <b>10a</b> Did the organization have local chapters, branches, or affiliates?   | <b>10a</b> | No  |    |
| <b>b</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?   | <b>10b</b> |     |    |
| <b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?  | <b>11a</b> | Yes |    |
| <b>b</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990   |            |     |    |
| <b>12a</b> Did the organization have a written conflict of interest policy? If "No," go to line 13  | <b>12a</b> | Yes |    |
| <b>b</b> Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?  | <b>12b</b> | Yes |    |
| <b>c</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done   | <b>12c</b> | Yes |    |
| <b>13</b> Did the organization have a written whistleblower policy?   | <b>13</b>  | Yes |    |
| <b>14</b> Did the organization have a written document retention and destruction policy?  | <b>14</b>  | Yes |    |
| <b>15</b> 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?  | <b>15a</b> | No  |    |
| <b>a</b> The organization's CEO, Executive Director, or top management official   | <b>15b</b> | Yes |    |
| <b>b</b> Other officers or key employees of the organization  |            |     |    |
| If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)  |            |     |    |
| <b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?  | <b>16a</b> | Yes |    |
| <b>b</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? | <b>16b</b> | No  |    |

### Section C. Disclosure

- 17 List the States with which a copy of this Form 990 is required to be filed  MN
- 18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply  
 Own website  Another's website  Upon request  Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization  
 SHARON WILLIAMS 300 S BRUCE ST  
 MARSHALL, MN 562581934 (507) 537-9150

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**Check if Schedule O contains a response 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)<br>Name and Title                          | (B)<br>Average<br>hours per<br>week (list<br>any hours<br>for related<br>organizations<br>below<br>dotted line) | (C)<br>Position (do not check<br>more than one box, unless<br>person is both an officer<br>and a director/trustee) |                       |        |              |                     |        | (D)<br>Reportable<br>compensation<br>from the<br>organization<br>(W-2/1099-<br>MISC) | (E)<br>Reportable<br>compensation<br>from related<br>organizations<br>(W-2/1099-<br>MISC) | (F)<br>Estimated<br>amount of<br>other<br>compensation<br>from the<br>organization<br>and related<br>organizations |
|--|---|--|-----------------------|--------|--------------|---------------------|--------|--|---|--|
|  |   | Individual trustee<br>or director  | Institutional Trustee | Office | Key employee | Highest compensated | Former |  |   |  |
| (1) RANDY GAFFNEY<br>CHAIR                     | 1 30<br>0 00  | X  |                       | X      |              |                     |        | 0  | 0   | 0  |
| (2) ROGER PABST OD<br>VICE CHAIR/PROVIDER      | 32 00<br>0 00   | X  |                       | X      |              |                     |        | 118,401  | 0   | 9,414  |
| (3) JAMES H FUHRMANN<br>DIRECTOR               | 1 30<br>0 00  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (4) ARTHUR M OLSON<br>DIRECTOR                 | 1 30<br>20  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (5) MICHAEL K RICH<br>DIRECTOR                 | 1 30<br>20  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (6) DOUG OLSEN<br>DIRECTOR                     | 1 30<br>0 00  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (7) SR MARY J REICHELT<br>DIRECTOR             | 1 30<br>44 50   | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (8) SR JOANN STURZL<br>DIRECTOR                | 1 30<br>1 00  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (9) SR JODELLE A ZIMMERMAN<br>DIRECTOR         | 1 30<br>0 00  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (10) DONNA HARTFIEL MD<br>DIRECTOR/PHYSICIAN   | 40 00<br>0 00   | X  |                       |        |              |                     |        | 0  | 348,708   | 14,859   |
| (11) RANDY SERREYN<br>DIRECTOR                 | 1 30<br>0 00  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (12) TODD BOCK<br>DIRECTOR                     | 1 30<br>0 00  | X  |                       |        |              |                     |        | 0  | 0   | 0  |
| (13) MARY B MAERTENS<br>PRESIDENT & CEO        | 40 00<br>1 10   | X  |                       | X      |              |                     |        | 0  | 318,480   | 32,773   |
| (14) SHARON WILLIAMS<br>SEC/TREAS & VP FINANCE | 40 00<br>10   |  |                       | X      |              |                     |        | 151,182  | 0   | 22,903   |
| (15) EDWARD WOLSKE MD<br>PHYSICIAN             | 40 00<br>0 00   |  |                       |        | X            |                     |        | 389,764  | 0   | 31,022   |
| (16) TRACI KRUSE MD<br>PHYSICIAN               | 40 00<br>0 00   |  |                       |        | X            |                     |        | 410,439  | 0   | 26,831   |
| (17) ROCHELLE STARK MD<br>PHYSICIAN            | 40 00<br>0 00   |  |                       |        | X            |                     |        | 371,553  | 0   | 7,660  |

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

|  |   |           |         |         |
|--|---|-----------|---------|---------|
| <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>                       | ► | 2,622,132 | 667,188 | 196,136 |

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 ►37

|  | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
| <b>3</b> 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> . . . . .  | <b>3</b>   | No        |
| <b>4</b> 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> . . . . . | <b>4</b>   | Yes       |
| <b>5</b> 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> . . . . .                       | <b>5</b>   | No        |

## **Section B. Independent Contractors**

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

| (A)<br>Name and business address  | (B)<br>Description of services | (C)<br>Compensation |
|---|--------------------------------|---------------------|
| AVERA HEALTH 3900 W AVERA DR STE 301 SIOUX FALLS SD 57105   | SHARED SERVICES                | 5,023,825           |
| AVERA MCKENNAN 1001 E 21ST ST STE 401 SIOUX FALLS SD 57105  | PHYSICIANS AND ANCILIARY       | 1,935,022           |
| BIG STONE THERAPIES INC 209 WAGINSTON AVE ORTONVILLE MN 56278   | THERAPY SERVICES               | 1,451,460           |
| FREELANCE PHYSICIAN 815 J ST STE 303 SAN DIEGO CA 92101   | LOCUM PHYSICIANS               | 1,318,757           |
| SUSSNER CONSTRUCTION INC 2020 OCONNELL ST MARSHALL MN 56258   | CONSTRUCTION                   | 455,776             |
| 2. Total number of independent contractors (including but not limited to those listed above) who received more than |                                |                     |

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►18

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

|  |  | (A)<br>Total revenue | (B)<br>Related or<br>exempt<br>function<br>revenue | (C)<br>Unrelated<br>business<br>revenue | (D)<br>Revenue<br>excluded from<br>tax under<br>sections<br>512-514 |            |        |
|--|--|----------------------|--|---|---|------------|--------|
| <b>Contributions, Gifts, Grants<br/>and Other Similar Amounts</b>  | <b>1a</b> Federated campaigns . . . . .  | <b>1a</b>            |  |   |   |            |        |
|  | <b>b</b> Membership dues . . . . .   | <b>1b</b>            |  |   |   |            |        |
|  | <b>c</b> Fundraising events . . . . .  | <b>1c</b>            |  |   |   |            |        |
|  | <b>d</b> Related organizations . . . . .   | <b>1d</b>            | 3,514,752  |   |   |            |        |
|  | <b>e</b> Government grants (contributions)   | <b>1e</b>            | 166,465  |   |   |            |        |
|  | <b>f</b> All other contributions, gifts, grants, and<br>similar amounts not included above | <b>1f</b>            | 73,832   |   |   |            |        |
|  | <b>g</b> Noncash contributions included in lines<br>1a-1f \$                               |                      |  |   |   |            |        |
|  | <b>h</b> <b>Total.</b> Add lines 1a-1f . . . . .   |                      | 3,755,049  |   |   |            |        |
| <b>Program Service Revenue</b>   | <b>Business Code</b>   |                      |  |   |   |            |        |
|  |  |                      | <b>2a</b> NET PATIENT SERVICE REVENUE              | 622110                                  | 62,049,832  | 62,049,832 |        |
|  |  |                      | <b>b</b> PHARMACY REVENUE                          | 900099                                  | 887,626   | 887,626    |        |
|  |  |                      | <b>c</b> CAFETERIA REVENUE                         | 900099                                  | 285,704   | 238,218    | 47,486 |
|  |  |                      | <b>d</b> GAIN ON AUXILIARY                         | 900099                                  | 223,451   | 223,451    |        |
|  |  |                      | <b>e</b> EQUITY EARNINGS OF AFFILIATED ORG         | 900099                                  | 166,331   | 138,179    | 28,152 |
|  | <b>f</b> All other program service revenue   |                      | 420,746  | 354,056                                 | 66,690  |            |        |
|  | <b>g</b> <b>Total.</b> Add lines 2a-2f . . . . .   |                      | 64,033,690   |   |   |            |        |
| <b>3</b> Investment income (including dividends, interest,<br>and other similar amounts) . . . . .   |  | 963,665              |  |   | 963,665   |            |        |
| <b>4</b> Income from investment of tax-exempt bond proceeds  |  |                      |  |   |   |            |        |
| <b>5</b> Royalties . . . . .   |  |                      |  |   |   |            |        |
| <b>6a</b> Gross rents  | (I) Real   | 122,406              |  |   |   |            |        |
| <b>b</b> Less rental expenses  | (II) Personal  | 186,266              |  |   |   |            |        |
| <b>c</b> Rental income or (loss)   |  | -63,860              |  |   |   |            |        |
| <b>d</b> Net rental income or (loss) . . . . .   |  |                      | -63,860  |   | -63,860   |            |        |
| <b>7a</b> Gross amount from sales of assets other than inventory   | (I) Securities   |                      |  |   |   |            |        |
| <b>b</b> Less cost or other basis and sales expenses   | (II) Other   | 771                  |  |   |   |            |        |
| <b>c</b> Gain or (loss)  |  | 0                    |  |   |   |            |        |
| <b>d</b> Net gain or (loss) . . . . .  |  | 771                  |  |   | 771   |            |        |
| <b>8a</b> Gross income from fundraising events (not including<br>\$ _____<br>of contributions reported on line 1c)<br>See Part IV, line 18 . . . . . | a  |                      |  |   |   |            |        |
| <b>b</b> Less direct expenses . . . . .  | b  |                      |  |   |   |            |        |
| <b>c</b> Net income or (loss) from fundraising events . . . . .  |  |                      |  |   |   |            |        |
| <b>9a</b> Gross income from gaming activities<br>See Part IV, line 19 . . . . .  | a  |                      |  |   |   |            |        |
| <b>b</b> Less direct expenses . . . . .  | b  |                      |  |   |   |            |        |
| <b>c</b> Net income or (loss) from gaming activities . . . . .   |  |                      |  |   |   |            |        |
| <b>10a</b> Gross sales of inventory, less<br>returns and allowances . . . . .  | a  |                      |  |   |   |            |        |
| <b>b</b> Less cost of goods sold . . . . .   | b  |                      |  |   |   |            |        |
| <b>c</b> Net income or (loss) from sales of inventory . . . . .  |  |                      |  |   |   |            |        |
| <b>Miscellaneous Revenue</b>   |  | <b>Business Code</b> |  |   |   |            |        |
| <b>11a</b> OPERATING INTEREST  |  | 900099               | 7,285  | 7,285                                   |   |            |        |
| <b>b</b>   |  |                      |  |   |   |            |        |
| <b>c</b>   |  |                      |  |   |   |            |        |
| <b>d</b> All other revenue . . . . .   |  |                      |  |   |   |            |        |
| <b>e</b> <b>Total.</b> Add lines 11a-11d . . . . .   |  | 7,285                |  |   |   |            |        |
| <b>12</b> <b>Total revenue.</b> See Instructions . . . . .   |  | 68,696,600           | 63,898,647   | 142,328                                 | 900,576   |            |        |

**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 

| <b>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</b>  | <b>(A)<br/>Total expenses</b> | <b>(B)<br/>Program service<br/>expenses</b> | <b>(C)<br/>Management and<br/>general expenses</b> | <b>(D)<br/>Fundraising<br/>expenses</b> |
|--|-------------------------------|---|--|---|
| 1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21   | 25,000                        | 25,000                                      |  |   |
| 2 Grants and other assistance to individuals in the United States See Part IV, line 22   | 27,707                        | 27,707                                      |  |   |
| 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   | 254,403                       | 74,980                                      | 179,423  |   |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)  | 111,154                       | 111,154                                     |  |   |
| 7 Other salaries and wages   | 27,011,117                    | 25,038,397                                  | 1,889,428  | 83,292                                  |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)   | 1,365,999                     | 1,236,012                                   | 127,057  | 2,930                                   |
| 9 Other employee benefits  | 3,351,184                     | 3,030,405                                   | 311,509  | 9,270                                   |
| 10 Payroll taxes   | 1,508,909                     | 1,356,588                                   | 146,097  | 6,224                                   |
| 11 Fees for services (non-employees)   |                               |   |  |   |
| a Management   | 1,521,235                     |   | 1,521,235  |   |
| b Legal  | 300,512                       |   | 300,512  |   |
| c Accounting   | 32,267                        |   | 32,267   |   |
| 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)   | 7,015,090                     | 5,676,503                                   | 1,338,587  |   |
| 12 Advertising and promotion   | 396,726                       |   | 396,726  |   |
| 13 Office expenses   | 766,006                       | 686,957                                     | 78,154   | 895                                     |
| 14 Information technology  | 1,241,401                     | 46,365                                      | 1,195,036  |   |
| 15 Royalties   |                               |   |  |   |
| 16 Occupancy   | 1,170,098                     | 1,131,265                                   | 38,833   |   |
| 17 Travel  | 223,279                       | 167,226                                     | 50,543   | 5,510                                   |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials  |                               |   |  |   |
| 19 Conferences, conventions, and meetings  | 734                           |   | 734  |   |
| 20 Interest  | 461,811                       | 461,811                                     |  |   |
| 21 Payments to affiliates  |                               |   |  |   |
| 22 Depreciation, depletion, and amortization   | 3,701,304                     | 3,364,196                                   | 335,911  | 1,197                                   |
| 23 Insurance   | 323,876                       | 154,638                                     | 169,238  |   |
| 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   | 7,281,670                     | 7,265,738                                   | 15,932   |   |
| b BAD DEBT EXPENSE   | 1,768,063                     | 1,768,063                                   |  |   |
| c FEES, TAXES AND SURCHAR  | 1,513,843                     | 384,443                                     | 1,129,400  |   |
| d RECRUITMENT  | 779,272                       | 95  | 779,177  |   |
| e All other expenses   | 1,689,473                     | 1,492,504                                   | 195,716  | 1,253                                   |
| <b>25 Total functional expenses.</b> Add lines 1 through 24e   | 63,842,133                    | 53,500,047                                  | 10,231,515   | 110,571                                 |
| <b>26 Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ► if following SOP 98-2 (ASC 958-720) |                               |   |  |   |

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

|                                    |  | <b>(A)</b><br>Beginning of year | <b>(B)</b><br>End of year |
|------------------------------------|--|---------------------------------|---------------------------|
| <b>Assets</b>                      |  |                                 |                           |
| 1                                  | Cash—non-interest-bearing  | 1                               |                           |
| 2                                  | Savings and temporary cash investments   | 2,723,800                       | 2,250,183                 |
| 3                                  | Pledges and grants receivable, net   | 3                               |                           |
| 4                                  | Accounts receivable, net   | 7,426,430                       | 9,175,201                 |
| 5                                  | Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L   | 28,542                          | 286,459                   |
| 6                                  | Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L | 6                               |                           |
| 7                                  | Notes and loans receivable, net  | 7                               |                           |
| 8                                  | Inventories for sale or use  | 1,243,708                       | 1,796,277                 |
| 9                                  | Prepaid expenses and deferred charges  | 1,078,777                       | 1,596,231                 |
| 10a                                | Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D  | 10a                             | 79,280,803                |
| b                                  | Less accumulated depreciation  | 10b                             | 45,832,823                |
|                                    |  | 30,520,949                      | 33,447,980                |
| 11                                 | Investments—publicly traded securities   | 11                              |                           |
| 12                                 | Investments—other securities See Part IV, line 11  | 22,896,260                      | 24,978,587                |
| 13                                 | Investments—program-related See Part IV, line 11   | 1,471,708                       | 1,152,167                 |
| 14                                 | Intangible assets  | 212,145                         | 366,580                   |
| 15                                 | Other assets See Part IV, line 11  | 15                              |                           |
| 16                                 | <b>Total assets.</b> Add lines 1 through 15 (must equal line 34)   | 67,602,319                      | 75,049,665                |
| <b>Liabilities</b>                 |  |                                 |                           |
| 17                                 | Accounts payable and accrued expenses  | 4,332,519                       | 6,372,041                 |
| 18                                 | Grants payable   | 18                              |                           |
| 19                                 | Deferred revenue   | 19                              |                           |
| 20                                 | Tax-exempt bond liabilities  | 17,361,697                      | 16,945,850                |
| 21                                 | Escrow or custodial account liability Complete Part IV of Schedule D   | 21                              | 5,604                     |
| 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                              | 83,240                    |
| 24                                 | Unsecured notes and loans payable to unrelated third parties   | 24                              |                           |
| 25                                 | Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D   | 1,039,169                       | 3,993                     |
| 26                                 | <b>Total liabilities.</b> Add lines 17 through 25  | 26                              | 23,410,728                |
| <b>Net Assets or Fund Balances</b> |  |                                 |                           |
|                                    | <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  | 44,864,332                      | 51,638,937                |
| 28                                 | Temporarily restricted net assets  | 28                              |                           |
| 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                                 | Total net assets or fund balances  | 44,864,332                      | 51,638,937                |
| 34                                 | <b>Total liabilities and net assets/fund balances</b>  | 34                              | 75,049,665                |

**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  | 68,696,600 |
| 2  | Total expenses (must equal Part IX, column (A), line 25)  | 2  | 63,842,133 |
| 3  | Revenue less expenses Subtract line 2 from line 1   | 3  | 4,854,467  |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))                     | 4  | 44,864,332 |
| 5  | Net unrealized gains (losses) on investments  | 5  | 1,920,138  |
| 6  | Donated services and use of facilities  | 6  |            |
| 7  | Investment expenses   | 7  |            |
| 8  | Prior period adjustments  | 8  |            |
| 9  | Other changes in net assets or fund balances (explain in Schedule O)  | 9  | 0          |
| 10 | Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | 51,638,937 |

**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 _____<br>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?<br>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<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | 2a  | No  |
| 2b Were the organization's financial statements audited by an independent accountant?<br>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<br><input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis                | 2b  | 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?<br>If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O  | 2c  | 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?   | 3a  | 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   | 3b  |     |

**SCHEDULE A**  
(Form 990 or 990EZ)**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.

**2013****Open to Public  
Inspection**Department of the  
Treasury  
Internal Revenue Service

- 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).

**Name of the organization**

AVERA MARSHALL

**Employer identification number**

41-0919153

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

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

- 1  A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2  A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E )
- 3  A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4  A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state \_\_\_\_\_
- 5  An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II )
- 6  A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7  An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II )
- 8  A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2)**. (Complete Part III )
- 10  An organization organized and operated exclusively to test for public safety See **section 509(a)(4)**.
- 11  An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3)**. Check the box that describes the type of supporting organization and complete lines 11e through 11h
  - a  Type I
  - b  Type II
  - c  Type III - Functionally integrated
  - d  Type III - Non-functionally integrated
- e  By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f  If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g  Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
  - (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
  - (ii) A family member of a person described in (i) above?
  - (iii) A 35% controlled entity of a person described in (i) or (ii) above?
- h  Provide the following information about the supported organization(s)

|                 | <b>Yes</b> | <b>No</b> |
|-----------------|------------|-----------|
| <b>11g(i)</b>   |            |           |
| <b>11g(ii)</b>  |            |           |
| <b>11g(iii)</b> |            |           |

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

**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   |          |          |          |          |          |           |
| <b>4 Total.</b> 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) |          |          |          |          |          |           |
| <b>6 Public support.</b> 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)   |          |          |          |          |           |           |
| <b>11 Total support</b> (Add lines 7 through 10)   |          |          |          |          |           |           |
| 12 Gross receipts from related activities, etc (see instructions)  |          |          |          |          | <b>12</b> |           |
| <b>13 First five years.</b> 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 <b>stop here</b> . . . . . ► |          |          |          |          |           |           |

**Section C. Computation of Public Support Percentage**

|   |           |  |
|---|-----------|--|
| 14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))   | <b>14</b> |  |
| 15 Public support percentage for 2012 Schedule A, Part II, line 14  | <b>15</b> |  |
| <b>16a 33 1/3% support test—2013.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization ►   |           |  |
| <b>b 33 1/3% support test—2012.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ►  |           |  |
| <b>17a 10%-facts-and-circumstances test—2013.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ►    |           |  |
| <b>b 10%-facts-and-circumstances test—2012.</b> 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 <b>stop here</b> . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ► |           |  |
| <b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ►  |           |  |

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

| Calendar year (or fiscal year beginning in) ►  | (a) 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  |          |          |          |          |          |           |
| <b>6 Total.</b> Add lines 1 through 5  |          |          |          |          |          |           |
| <b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons   |          |          |          |          |          |           |
| <b>b</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    |          |          |          |          |          |           |
| <b>c</b> Add lines 7a and 7b   |          |          |          |          |          |           |
| <b>8 Public support</b> (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  |          |          |          |          |          |           |
| <b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources  |          |          |          |          |          |           |
| <b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975   |          |          |          |          |          |           |
| <b>c</b> Add lines 10a and 10b   |          |          |          |          |          |           |
| <b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on  |          |          |          |          |          |           |
| <b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )   |          |          |          |          |          |           |
| <b>13 Total support.</b> (Add lines 9, 10c, 11, and 12 )   |          |          |          |          |          |           |
| <b>14 First five years.</b> 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 <b>stop here</b> ► |          |          |          |          |          |           |

**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 |
| <b>19a 33 1/3% support tests—2013.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ►        |    |
| <b>b 33 1/3% support tests—2012.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ► |    |
| <b>20 Private foundation.</b> 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

**SCHEDULE C**  
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2013****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

- Complete if the organization is described below. ► Attach to Form 990 or Form 990-EZ.
- See separate instructions. ► Information about Schedule C (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

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

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

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

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

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

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

|  |  |
|--|--|
| Name of the organization<br>AVERA MARSHALL | Employer identification number<br>41-0919153 |
|--|--|

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

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

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

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ \_\_\_\_\_
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ \_\_\_\_\_
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year?  Yes  No
- 4a Was a correction made?  Yes  No
- b If "Yes," describe in Part IV

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

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

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

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

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

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

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

**4-Year Averaging Period Under Section 501(h)**

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

| <b>Lobbying Expenditures During 4-Year Averaging Period</b>         |                 |                 |                 |                 |                  |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| Calendar year (or fiscal year beginning in)                         | <b>(a) 2010</b> | <b>(b) 2011</b> | <b>(c) 2012</b> | <b>(d) 2013</b> | <b>(e) Total</b> |
| <b>2a</b> Lobbying nontaxable amount                                |                 |                 |                 |                 |                  |
| <b>b</b> Lobbying ceiling amount<br>(150% of line 2a, column(e))    |                 |                 |                 |                 |                  |
| <b>c</b> Total lobbying expenditures                                |                 |                 |                 |                 |                  |
| <b>d</b> Grassroots nontaxable amount                               |                 |                 |                 |                 |                  |
| <b>e</b> Grassroots ceiling amount<br>(150% of line 2d, column (e)) |                 |                 |                 |                 |                  |
| <b>f</b> Grassroots lobbying expenditures                           |                 |                 |                 |                 |                  |

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

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

|   | (a) |    | (b)    |
|---|-----|----|--------|
|   | Yes | No | Amount |
| <b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of |     |    |        |
| <b>a</b> Volunteers?  |     | No |        |
| <b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?   |     | No |        |
| <b>c</b> Media advertisements?  |     | No |        |
| <b>d</b> Mailings to members, legislators, or the public?   |     | No |        |
| <b>e</b> Publications, or published or broadcast statements?  |     | No |        |
| <b>f</b> Grants to other organizations for lobbying purposes?   |     | No |        |
| <b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?  |     | No |        |
| <b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?  |     | No |        |
| <b>i</b> Other activities?  | Yes |    | 3,056  |
| <b>j</b> Total Add lines 1c through 1i  |     |    | 3,056  |
| <b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?   |     | No |        |
| <b>b</b> If "Yes," enter the amount of any tax incurred under section 4912  |     |    |        |
| <b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912   |     |    |        |
| <b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?   |     |    |        |

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

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

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

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

**Part IV Supplemental Information**

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

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

**Part IV Supplemental Information (continued)**

**Schedule D (Form 990) 2013**

**SCHEDULE D**  
(Form 990)**Supplemental Financial Statements**

OMB No 1545-0047

**2013**

► 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).

**Open to Public Inspection**Department of the Treasury  
Internal Revenue Service**Name of the organization**  
AVERA MARSHALL**Employer identification number**

41-0919153

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

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

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

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

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

|   |   |
|---|---|
| 1 Purpose(s) of conservation easements held by the organization (check all that apply)  | <input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area |
|   | <input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure  |
|   | <input type="checkbox"/> 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  |   |
| a Total number of conservation easements  | <b>Held at the End of the Year</b>  |
| b Total acreage restricted by conservation easements  | 2a  |
| c Number of conservation easements on a certified historic structure included in (a)  | 2b  |
| d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register  | 2c  |
| 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► _____   | 2d  |
| 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? <input type="checkbox"/> Yes <input type="checkbox"/> No   |   |
| 6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year<br>► _____  |   |
| 7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year<br>► \$ _____   |   |
| 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)? <input type="checkbox"/> Yes <input type="checkbox"/> 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)

|   |   |
|---|---|
| <b>a</b> <input type="checkbox"/> Public exhibition                   | <b>d</b> <input type="checkbox"/> Loan or exchange programs |
| <b>b</b> <input type="checkbox"/> Scholarly research                  | <b>e</b> <input type="checkbox"/> Other                     |
| <b>c</b> <input type="checkbox"/> Preservation for future generations |   |

**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

|           | <b>Amount</b> |
|-----------|---------------|
| <b>1c</b> |               |
| <b>1d</b> |               |
| <b>1e</b> |               |
| <b>1f</b> |               |

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

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

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

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

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

**a** Board designated or quasi-endowment ►

**b** Permanent endowment ►

**c** Temporarily restricted endowment ►

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

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

**(i)** unrelated organizations . . . . .

**(ii)** related organizations . . . . .

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

| <b>Yes</b>    | <b>No</b> |
|---------------|-----------|
| <b>3a(i)</b>  |           |
| <b>3a(ii)</b> |           |
| <b>3b</b>     |           |

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

**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 |
|---|-------------------------|--------------------------------------|---------------------------------|------------------------------|----------------|
| <b>1a</b> Land . . . . .  |                         | 507,112                              |                                 |                              | 507,112        |
| <b>b</b> Buildings . . . . .  |                         | 45,048,447                           | 24,967,630                      |                              | 20,080,817     |
| <b>c</b> Leasehold improvements . . . . .   |                         | 92,678                               | 34,490                          |                              | 58,188         |
| <b>d</b> Equipment . . . . .  |                         | 27,189,210                           | 20,108,623                      |                              | 7,080,587      |
| <b>e</b> Other . . . . .  |                         | 6,443,356                            | 722,080                         |                              | 5,721,276      |
| <b>Total.</b> Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) . . . . . |                         |                                      |                                 |                              | 33,447,980     |

**Part VII Investments—Other Securities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

| (a) Description of security or category<br>(including name of security)  | (b) Book value    | (c) Method of valuation<br>Cost or end-of-year market value |
|--|-------------------|---|
| (1) Financial derivatives  |                   |   |
| (2) Closely-held equity interests  |                   |   |
| (3) Other  |                   |   |
| (A) INVESTMENT IN AFFILIATED ORGANIZATIONS                               | 324,184           | C   |
| (B) ASSETS LIMITED TO USE-AVERA POOLED INVESTMENTS                       | 24,654,403        | F   |
|  |                   |   |
|  |                   |   |
|  |                   |   |
|  |                   |   |
|  |                   |   |
|  |                   |   |
| <b>Total. (Column (b) must equal Form 990, Part X, col (B) line 12 )</b> | <b>24,978,587</b> |   |

**Part VIII Investments—Program Related.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

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

**Part IX Other Assets.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11d. See Form 990, Part X, line 15

| (a) Description  | (b) Book value |
|--|----------------|
|  |                |
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| <b>Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.)</b> |                |

**Part X Other Liabilities.** Complete if the organization answered 'Yes' to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

| 1 (a) Description of liability   | (b) Book value |
|--|----------------|
| Federal income taxes   |                |
| ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS                                  | 3,993          |
|  |                |
|  |                |
|  |                |
|  |                |
|  |                |
|  |                |
|  |                |
| <b>Total. (Column (b) must equal Form 990, Part X, col (B) line 25 )</b> | <b>3,993</b>   |

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

**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** 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 IV, LINE 2B | THE ORGANIZATION HOLDS FUNDS ON BEHALF OF ITS RESIDENTS   |
| PART X, LINE 2   | AVERA HEALTH AND MOST OF ITS SPONSORED ORGANIZATIONS ARE CONSIDERED NONPROFIT CORPORATIONS AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND ARE EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE. THESE ORGANIZATIONS ARE REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE INTERNAL REVENUE SERVICE (IRS). AVERA HEALTH AND CERTAIN SPONSORED ORGANIZATIONS ALSO FILE AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT THEIR UNRELATED BUSINESS TAXABLE INCOME. AVERA HEALTH AND ITS SPONSORED ORGANIZATIONS BELIEVE THAT THEY HAVE APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE FINANCIAL STATEMENTS. THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED. THE FEDERAL FORM 990T FILINGS FOR CONSOLIDATED SUBSIDIARIES ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2011. |
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**Part XIII      Supplemental Information (continued)**

| Return Reference | Explanation |
|------------------|-------------|
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SCHEDULE H  
(Form 990)

## Hospitals

OMB No 1545-0047

Department of the Treasury  
Internal Revenue Service

► 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](http://www.irs.gov/form990).

2013

Open to Public  
InspectionName of the organization  
AVERA MARSHALLEmployer identification number  
41-0919153

## Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .

1b If "Yes," was it a written policy? . . . . .

2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year

Applied uniformly to all hospital facilities  Applied uniformly to most hospital facilities

Generally tailored to individual hospital facilities

3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year

a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care

100%  150%  200%  Other \_\_\_\_\_ %

b Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care

200%  250%  300%  350%  400%  Other \_\_\_\_\_ %

c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care

4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .

5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .

5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .

5c 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? . . . . .

6a Did the organization prepare a community benefit report during the tax year? . . . . .

6b If "Yes," did the organization make it available to the public? . . . . .

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

|    | Yes | No |
|----|-----|----|
| 1a | Yes |    |
| 1b | Yes |    |
| 3a | Yes |    |
| 3b | Yes |    |
| 4  | Yes |    |
| 5a | Yes |    |
| 5b |     | No |
| 5c |     |    |
| 6a | Yes |    |
| 6b | Yes |    |
|    |     |    |

## 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) . . . . .   |   |                               | 179,720                             |                               | 179,720                           | 0 290 %                      |
| b Medicaid (from Worksheet 3, column a) . . . . .   |   |                               | 7,667,948                           | 7,280,291                     | 387,657                           | 0 620 %                      |
| c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .              |   |                               |                                     |                               |                                   |                              |
| d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .                    |   |                               | 7,847,668                           | 7,280,291                     | 567,377                           | 0 910 %                      |
| <b>Other Benefits</b>   |   |                               |                                     |                               |                                   |                              |
| e Community health improvement services and community benefit operations (from Worksheet 4) . . . . . | 8   | 600                           | 440,228                             | 82,241                        | 357,987                           | 0 580 %                      |
| f Health professions education (from Worksheet 5) . . . . .   | 3   |                               | 84,202                              |                               | 84,202                            | 0 140 %                      |
| g Subsidized health services (from Worksheet 6) . . . . .   | 5   |                               | 12,236,200                          | 7,551,695                     | 4,684,505                         | 7 550 %                      |
| h Research (from Worksheet 7) . . . . .   |   |                               |                                     |                               |                                   |                              |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .                   | 6   |                               | 69,186                              |                               | 69,186                            | 0 110 %                      |
| <b>j Total. Other Benefits</b> . . . . .  | 22  | 600                           | 12,829,816                          | 7,633,936                     | 5,195,880                         | 8 380 %                      |
| <b>k Total. Add lines 7d and 7j</b>   | 22  | 600                           | 20,677,484                          | 14,914,227                    | 5,763,257                         | 9 290 %                      |

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

|  | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community building expense | (d) Direct offsetting revenue | (e) Net community building expense | (f) Percent of total expense |
|--|---|-------------------------------|--------------------------------------|-------------------------------|------------------------------------|------------------------------|
| <b>1</b> Physical improvements and housing                         |   |                               |                                      |                               |                                    |                              |
| <b>2</b> Economic development                                      |   |                               |                                      |                               |                                    |                              |
| <b>3</b> Community support   | 1   |                               | 9,007                                |                               | 9,007                              | 0 010 %                      |
| <b>4</b> Environmental improvements                                |   |                               |                                      |                               |                                    |                              |
| <b>5</b> Leadership development and training for community members |   |                               |                                      |                               |                                    |                              |
| <b>6</b> Coalition building  |   |                               |                                      |                               |                                    |                              |
| <b>7</b> Community health improvement advocacy                     | 1   |                               | 1,017                                |                               | 1,017                              | 0 %                          |
| <b>8</b> Workforce development                                     | 1   |                               | 1,133                                |                               | 1,133                              | 0 %                          |
| <b>9</b> Other   |   |                               |                                      |                               |                                    |                              |
| <b>10 Total</b>  | 3   |                               | 11,157                               |                               | 11,157                             | 0 010 %                      |

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

|  |  | Yes   | No  |
|--|--|---|---|
| 1                                      | Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?   | 1   | Yes                                       |
| 2                                      | Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount   | 2   | 1,768,063                                 |
| 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   |   |   |
| <b>Section B. Medicare</b>             |  |   |   |
| 5                                      | Enter total revenue received from Medicare (including DSH and IME)   | 5   | 13,360,277                                |
| 6                                      | Enter Medicare allowable costs of care relating to payments on line 5  | 6   | 13,376,332                                |
| 7                                      | Subtract line 6 from line 5. This is the surplus (or shortfall)  | 7   | -16,055                                   |
| 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  |   |   |
|  | <input type="checkbox"/> Cost accounting system  | <input type="checkbox"/> Cost to charge ratio | <input checked="" type="checkbox"/> Other |
| <b>Section C. Collection Practices</b> |  |   |   |
| 9a                                     | Did the organization have a written debt collection policy during the tax year?  | 9a  | Yes                                       |
| 9b                                     | If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI  | 9b  | Yes                                       |

**Part IV Management Companies and Joint Ventures** (owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

|    | (a) Name of entity | (b) Description of primary activity of entity | (c) Organization's profit % or stock ownership % | (d) Officers, directors, trustees, or key employees' profit % or stock ownership % | (e) Physicians' profit % or stock ownership % |
|----|--------------------|---|--|--|---|
| 1  |                    |   |  |  |   |
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## 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

**Part V Facility Information (continued)****Section B. Facility Policies and Practices**

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

AVERA MARSHALL

**Name of hospital facility or facility reporting group** \_\_\_\_\_**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 |
|--|---|-------|----|
| <b>Community Health Needs Assessment</b> (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012) |   |       |    |
| 1  | During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . .   | 1 Yes |    |
| a  | <input checked="" type="checkbox"/> A definition of the community served by the hospital facility   |       |    |
| b  | <input checked="" type="checkbox"/> Demographics of the community   |       |    |
| c  | <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community   |       |    |
| d  | <input checked="" type="checkbox"/> How data was obtained   |       |    |
| e  | <input checked="" type="checkbox"/> The health needs of the community   |       |    |
| f  | <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups   |       |    |
| g  | <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs   |       |    |
| h  | <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests  |       |    |
| i  | <input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs  |       |    |
| j  | <input type="checkbox"/> Other (describe in Part VI)  |       |    |
| 2  | Indicate the tax year the hospital facility last conducted a CHNA 20 12   |       |    |
| 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? . . . . .  | 5 Yes |    |
| 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 AVERA.ORG/MARSHALL/</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)  |       |    |
| 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 type="checkbox"/> Inclusion of a community benefit section in operational plans  |       |    |
| f  | <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA  |       |    |
| g  | <input type="checkbox"/> Prioritization of health needs in its community  |       |    |
| h  | <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community   |       |    |
| i  | <input checked="" type="checkbox"/> Other (describe in Part VI)   |       |    |
| 7  | Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .   | 7 No  |    |
| 8a   | Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .   | 8a No |    |
| b  | If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .   | 8b    |    |
| c  | If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____  |       |    |

**Part V Facility Information (continued)**

| <b>Financial Assistance Policy</b> |   | <b>Yes</b> | <b>No</b> |
|------------------------------------|---|------------|-----------|
| <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? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for free care <u>150 000000000000%</u><br>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? . . . . .<br>If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>400 000000000000%</u><br>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? . . . . .<br>If "Yes," indicate the factors used in determining such amounts (check all that apply)  | <b>12</b>  | Yes       |
| a                                  | <input checked="" type="checkbox"/> Income level  |            |           |
| b                                  | <input checked="" type="checkbox"/> Asset level   |            |           |
| c                                  | <input checked="" type="checkbox"/> Medical indigency   |            |           |
| d                                  | <input checked="" type="checkbox"/> Insurance status  |            |           |
| e                                  | <input checked="" type="checkbox"/> Uninsured discount  |            |           |
| f                                  | <input checked="" type="checkbox"/> Medicaid/Medicare   |            |           |
| g                                  | <input checked="" type="checkbox"/> State regulation  |            |           |
| h                                  | <input type="checkbox"/> Residency  |            |           |
| i                                  | <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? . . . . .<br>If "Yes," indicate how the hospital facility publicized the policy (check all that apply)  | <b>14</b>  | Yes       |
| a                                  | <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website  |            |           |
| b                                  | <input type="checkbox"/> The policy was attached to billing invoices  |            |           |
| c                                  | <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms  |            |           |
| d                                  | <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices  |            |           |
| e                                  | <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility   |            |           |
| f                                  | <input checked="" type="checkbox"/> The policy was available upon request   |            |           |
| g                                  | <input checked="" type="checkbox"/> Other (describe in Part VI)   |            |           |
| <b>Billing and Collections</b>     |   |            |           |
| <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   |            |           |
| a                                  | <input type="checkbox"/> Reporting to credit agency   |            |           |
| b                                  | <input type="checkbox"/> Lawsuits   |            |           |
| c                                  | <input type="checkbox"/> Liens on residences  |            |           |
| d                                  | <input type="checkbox"/> Body attachments   |            |           |
| e                                  | <input type="checkbox"/> Other similar actions (describe in 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? . . . . .<br>If "Yes," check all actions in which the hospital facility or a third party engaged | <b>17</b>  | No        |
| a                                  | <input type="checkbox"/> Reporting to credit agency   |            |           |
| b                                  | <input type="checkbox"/> Lawsuits   |            |           |
| c                                  | <input type="checkbox"/> Liens on residences  |            |           |
| d                                  | <input type="checkbox"/> Body attachments   |            |           |
| e                                  | <input type="checkbox"/> Other similar actions (describe in 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**

**19** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate why

- a  The hospital facility did not provide care for any emergency medical conditions
- b  The hospital facility's policy was not in writing
- c  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d  Other (describe in Part VI)

|               | Yes | No |
|---------------|-----|----|
| <b>19</b> Yes |     |    |

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

**20** Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care

- a  The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b  The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c  The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d  Other (describe in Part VI)

|           |  |    |
|-----------|--|----|
|           |  |    |
| <b>21</b> |  | No |

**21** 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? . . . . .

If "Yes," explain in Part VI

**22** 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? . . . . .

If "Yes," explain in Part VI

|           |     |  |
|-----------|-----|--|
|           |     |  |
| <b>22</b> | Yes |  |

**Part V Facility Information (continued)**

**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 |
|---------------------------|-------------|
| See Additional Data Table |             |
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**Schedule H (Form 990) 2013**

**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? 7

| Name and address   | Type of Facility (describe)       |
|--|-----------------------------------|
| 1 AVERA MORNINGSIDE HEIGHTS CARE CENTER<br>300 S BRUCE STREET<br>MARSHALL, MN 56258  | NURSING HOME, ADULT DAYCARE       |
| 2 AVERA MARSHALL SW OPHTHALMOLOGY<br>300 S BRUCE STREET<br>MARSHALL, MN 56258        | OPHTHALMOLOGY, OPTICAL            |
| 3 AM GROUP OPTOMETRY REDWOOD FALLS<br>500 E BRIDGE STREET<br>REDWOOD FALLS, MN 56283 | OPTOMETRY, OPHTHALMOLOGY, OPTICAL |
| 4 AVERA MARSHALL GROUP OPTOMETRY WINDOM<br>1006 4TH AVENUE<br>WINDOM, MN 56101       | OPTOMETRY, OPHTHALMOLOGY, OPTICAL |
| 5 AM GROUP OPTOMETRY SPRINGFIELD<br>602 N JACKSON<br>SPRINGFIELD, MN 56087           | OPTOMETRY, OPHTHALMOLOGY, OPTICAL |
| 6 AVERA MARSHALL CURAQUICK<br>900 E MAIN STREET<br>MARSHALL, MN 56258                | CONVENIENCE CLINIC                |
| 7 AVERA MARSHALL GROUP OPTOMETRY TRACY<br>505 STATE STREET<br>TRACY, MN 56175        | OPTOMETRY, OPHTHALMOLOGY, OPTICAL |
| 8  |                                   |
| 9  |                                   |
| 10   |                                   |

**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 CHNA's 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

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART I, LINE 3C         | A COMBINATION OF INCOME AND ASSETS TEST IS UTILIZED TO DETERMINE ELIGIBILITY FOR FREE OR DISCOUNTED CARE. POINTS ARE ASSIGNED BASED ON INCOME AS A PERCENTAGE OF FPG AND NET ASSETS OWNED WITH POINTS DEDUCTED FOR ONGOING MEDICAL EXPENSES SUCH AS DRUGS. PATIENTS WITH THE FEWEST POINTS RECEIVE THE LARGEST DISCOUNT. 0-1 POINTS RECEIVE 100% DISCOUNT ON BILLS WHILE REMAINING DISCOUNTS RANGE FROM 10-90% DEPENDING ON POINT TOTALS AND DOLLAR AMOUNT OF CHARGES |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART I, LINE 6A         | THE AVERA MARSHALL COMMUNITY BENEFIT REPORT IS CONTAINED WITHIN A REPORT PREPARED BY AVERA HEALTH, A RELATED ORGANIZATION. IT IS AVAILABLE THROUGH THE WEBSITE AND REQUESTED MAILING, AND IS FILED WITH THE CATHOLIC HEALTH ASSOCIATION |

| Form and Line Reference | Explanation  |
|-------------------------|--|
| PART I, LINE 7          | CHARITY CARE AND UNREIMBURSED MEDICAID WAS CONVERTED TO COST USING THE COST-TO-CHARGE RATIO DERIVED FROM WORKSHEET 2. LINES 7E - I ARE GATHERED FROM EXPENSES REPORTED IN THE GENERAL LEDGER |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART I, LN 7 COL(F)     | THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS<br>\$1,768,063 |

| Form and Line Reference                | Explanation  |
|--|--|
| PART II, COMMUNITY BUILDING ACTIVITIES | THE AMOUNTS REPORTED AS COMMUNITY BUILDING INCLUDE MONETARY AND IN-KIND DONATIONS TO COMMUNITY ORGANIZATIONS TO SUPPORT THE NEEDS OF THE COMMUNITY BEYOND THE NEED FOR HEALTHCARE. AVERA MARSHALL'S EMPLOYEES AND MANAGEMENT ALSO VOLUNTEER AND PARTICIPATE IN AREA COMMUNITY ORGANIZATIONS. THESE ORGANIZATIONS INCLUDE NON-PROFIT AND CIVIC ORGANIZATIONS. AVERA MARSHALL ALSO ENCOURAGES MIDDLE-SCHOOL AGED STUDENTS TO CONSIDER A CAREER IN HEALTHCARE THROUGH THEIR SCRUBS CAMP, WHICH IS A ONE-DAY PROGRAM. THESE CONTRIBUTIONS STRENGTHEN THE COMMUNITY BY FOCUSING ON UNDERLYING CAUSES OF HEALTH CARE ISSUES. |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART III, LINE 2        | BAD DEBT EXPENSE IS REPORTED NET OF DISCOUNTS AND CONTRACTUAL ALLOWANCES. A PAYMENT ON AN ACCOUNT PREVIOUSLY WRITTEN OFF REDUCES BAD DEBT EXPENSE IN THE CURRENT YEAR. BAD DEBT EXPENSE IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION. |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART III, LINE 3        | AVERA MARSHALL DOES NOT BELIEVE THAT ANY PORTION OF BAD DEBT EXPENSE COULD REASONABLY BE ATTRIBUTED TO PATIENTS WHO MAY QUALIFY FOR FINANCIAL ASSISTANCE SINCE EVALUATIONS ARE COMPLETED TO DETERMINE THOSE AMOUNTS DUE AND WILL BE RECLASSIFIED FROM BAD DEBT EXPENSE TO CHARITY CARE WITHIN 30 DAYS OF THE EVALUATION OF THE AMOUNT |

| Form and Line Reference | Explanation  |
|-------------------------|--|
| PART III, LINE 4        | THE FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSES IS LOCATED IN FOOTNOTE 1 ON PAGE 9 OF THE ATTACHED FINANCIAL STATEMENTS |

| Form and Line Reference | Explanation  |
|-------------------------|--|
| PART III, LINE 8        | AVERA MARSHALL PROVIDES SERVICES TO PATIENTS UNDER THE MEDICARE PROGRAM KNOWING THEY WILL NOT RECOVER ALL THE COSTS ASSOCIATED WITH PROVIDING THESE SERVICES PROVIDING THESE SERVICES IS ESSENTIAL TO THESE PATIENTS AND THE COMMUNITY AND INCREASES THEIR ACCESS TO HEALTHCARE SERVICES THEREFORE, THE MEDICARE SHORTFALL IS CONSIDERED A COMMUNITY BENEFIT MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CENTERS FOR MEDICARE AND MEDICAID SERVICES |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART III, LINE 9B       | IF THE PATIENT QUALIFIES FOR THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME, UNINSURED PATIENTS AND IS COOPERATING WITH THE ORGANIZATION WITH REGARD TO EFFORTS TO SETTLE AN OUTSTANDING BILL WITHIN A REASONABLE TIME PERIOD, THE ORGANIZATION OR ITS AGENT SHALL NOT SEND, NOR INDICATE THAT IT WILL SEND, THE UNPAID BILL TO ANY OUTSIDE COLLECTION AGENCY AT SUCH TIME AS THE ORGANIZATION SENDS THE UNCOLLECTED ACCOUNT TO AN OUTSIDE COLLECTION AGENCY, THE AMOUNT REFERRED TO THE AGENCY SHALL REFLECT THE REDUCED-PAYMENT LEVEL FOR WHICH THE PATIENT WAS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY FOR LOW-INCOME UNINSURED PATIENTS AVERA MARSHALL DOES NOT REPORT ANY DATA TO ANY OF THE CREDIT AGENCIES, HOWEVER, THE COLLECTION AGENCIES AVERA MARSHALL UTILIZES MAY REPORT TO THE CREDIT AGENCIES ANY EXTENDED PAYMENT PLANS OFFERED BY THE HOSPITAL, OR THE HOSPITAL'S REPRESENTATIVE, IN SETTLING THE OUTSTANDING BILLS OF PATIENTS WHO QUALIFY FOR FINANCIAL ASSISTANCE SHALL BE INTEREST-FREE SO LONG AS THE REPAYMENT SCHEDULE IS MET |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART VI, LINE 2         | AVERA MARSHALL, IN CONJUNCTION WITH SEVERAL OTHER AGENCIES LOCATED IN THE CITY OF MARSHALL AND THE SURROUNDING AREAS, COLLABORATED TO PUT TOGETHER A COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA) FOCUS GROUPS WERE USED TO GATHER THIS COLLABORATED COMMUNITY INFORMATION FOCUS GROUPS INCLUDED PATIENTS, LAW ENFORCEMENT, CITY OFFICIALS, AGING SERVICES PROVIDERS, COUNTY WORKERS, LEGAL PROVIDERS, MINORITY GROUPS, HEALTH PROVIDERS, NON-PROFIT ORGANIZATIONS, UNITED WAY, FARMERS, BUSINESS OWNERS AND LEGISLATORS REPORTS AND DATA FROM OTHER AGENCIES WERE GATHERED AS PART OF THE PROCESS AND USED AS BACKGROUND OR STATISTICAL ANALYSIS THE CHNA WAS COMPLETED IN LATE CALENDAR YEAR 2012 |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART VI, LINE 3         | ANYONE WHO IS UNINSURED RECEIVES A LETTER WITH THEIR ITEMIZED BILL WHICH DESCRIBES BOTH THE UNINSURED PROGRAM AND THE CHARITY CARE PROGRAM. ANY UNINSURED PATIENT IS CONTACTED BY PHONE OR LETTER BY THE COLLECTIONS DEPARTMENT AT WHICH TIME THE PROGRAMS ARE DESCRIBED. ALSO, INPATIENT AND SAME DAY SURGERY PATIENTS RECEIVE A BROCHURE IN THEIR ADMISSIONS PACKET. PRE-COLLECTION LETTERS ALSO INCLUDE INFORMATION REGARDING THE CHARITY CARE AND UNINSURED PROGRAMS. |

| Form and Line Reference | Explanation   |
|-------------------------|---|
| PART VI, LINE 4         | AVERA MARSHALL'S SERVICE AREA INCLUDES LYON COUNTY AND SURROUNDING COUNTIES IN MINNESOTA. IN 2012, THE POPULATION FOR LYON COUNTY WAS ESTIMATED TO BE 25,543. APPROXIMATELY 14.1% OF THE POPULATION IS AGE 65 OR OLDER. THE AVERAGE PER CAPITA INCOME IS \$24,427 AND APPROXIMATELY 14% OF INDIVIDUALS ARE BELOW THE FEDERAL POVERTY LEVEL. THE NEAREST HOSPITAL IN THE AREA IS APPROXIMATELY 22 MILES FROM AVERA MARSHALL. |

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

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

## Additional Data

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

### 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   |
|-------------------------|---|
| AVERA MARSHALL          |   |
| AVERA MARSHALL          | PART V, SECTION B, LINE 6I THE IMPLEMENTATION STRATEGY IS AVAILABLE AT THE FOLLOWING WEBS<br>ITE <a href="http://WWW.AVERA.ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/">HTTP://WWW.AVERA.ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/</a>  |
| AVERA MARSHALL          | PART V, SECTION B, LINE 7 CONSTRUCTION WAS BEGUN ON THE AVERA CANCER INSTITUTE MARSHALL<br>IT WILL NOT BE COMPLETED IN CY 2014 THE PROJECTED COMPLETION IS FOR JANUARY 2015 AVERA MA<br>RSHALL MET WITH WESTERN COMMUNITY ACTION AND SW MN HEALTH AND HUMAN SERVICES TO IMPROVE TR<br>ANSPORTATION FOR THOSE RECEIVING MEDICAL CARE PROJECT WAS COMPLETED THIS FISCAL YEAR AND<br>BEGAN IN JANUARY 2014 DENTAL CARE AND CULTURAL COMPETENCE ARE NOT AREAS IN WHICH AVERA MAR<br>SHALL HAS EXPERTISE THEREFORE, WE WILL NOT BE DIRECTLY ADDRESSING THESE NEEDS AT THIS TIM<br>E AVERA MARSHALL DOES PROVIDE PARKING SPACE AND UTILITIES FOR "OPEN DOOR" DENTIST SERVICE<br>SAVERA MARSHALL DID NOT EXPAND OUR EXISTING PARTNERSHIP WITH THE YMCA WE CURRENTLY HAVE A PARTNERSHIP WITH THE YMCA, AND WE DO NOT HAVE PLANS TO GROW THIS PARTNERSHIP AT THIS TIM<br>E |
| AVERA MARSHALL          | PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS POSTED IN THE HOSPITAL FACILITY'S EMERGENCY ROOM, WAITING ROOMS, AND ADMISSIONS OFFICE AND INCLUDED IN THE BILLING STATEMENT IN ADDITION, THE FINANCIAL ASSISTANCE POLICY IS DISCUSSED WITH THE PATIENT UPON ADMISSION TO THE FACILITY  |
| AVERA MARSHALL          | PART V, SECTION B, LINE 22 INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE ARE NOT CHARGED GROSS CHARGES FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE, HOWEVER MAY BE CHARGED GROS S CHARGES FOR ELECTIVE CARE   |

## Schedule I (Form 990)

## **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).**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization  
**AVERA MARSHALL**

**Employer identification number**

41-0919153

## **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.

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

| (a) Type of grant or assistance | (b) Number of recipients | (c) Amount of cash grant | (d) Amount of non-cash assistance | (e) Method of valuation (book, FMV, appraisal, other) | (f) Description of non-cash assistance |
|---------------------------------|--------------------------|--------------------------|-----------------------------------|---|--|
| (1) LTC EMPLOYEE SCHOLARSHIPS   | 14                       | 27,207                   |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
|                                 |                          |                          |                                   |   |  |
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**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   | THE ORGANIZATION PROVIDES SCHOLARSHIPS TO MEDICAL STUDENTS, LONG-TERM CARE EMPLOYEES AND A STIPEND TO SIM (STUDENT INTERNSHIP IN MEDICINE) STUDENTS. THE ORGANIZATION MONITORS THE USE OF THE SCHOLARSHIPS THROUGH A RECRUITER WHO MAINTAINS CONTACT WITH THE STUDENTS, AND MONITORS RECEIPT OF THE EMPLOYEE SCHOLARSHIP BY THE LEARNING INSTITUTION. THE ORGANIZATION WAS ACTIVELY INVOLVED IN THE START-UP OF THE BSN PROGRAM AT SOUTHWEST MINNESOTA STATE. AVERA MARSHALL'S VICE PRESIDENT PATIENT CARE SERVICES WAS ON THE STEERING COMMITTEE THAT COMMITTEE MET BI-WEEKLY DURING THE START-UP PHASE AND WILL CONTINUE TO MEET ANNUALLY TO REVIEW THE PROGRAMS SUCCESSES AND CHALLENGES. GRANTS TO OTHER ORGANIZATIONS ARE MONITORED THROUGH EMPLOYEE INVOLVEMENT IN THE ORGANIZATIONS. |

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2013****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue ServiceFor 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).Name of the organization  
AVERA MARSHALL

Employer identification number

41-0919153

**Part I Questions Regarding Compensation****1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

|  |  |
|--|--|
| <input type="checkbox"/> First-class or charter travel             | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees   |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain**2** 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?**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

|  |  |
|--|--|
| <input type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                     |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study                    |
| <input type="checkbox"/> Form 990 of other organizations     | <input type="checkbox"/> Approval by the board or compensation committee |

**4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization**a** Receive a severance payment or change-of-control payment?**b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?**c** Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

**Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.****5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of**a** The organization?**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

**6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of**a** The organization?**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

**7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III**8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III**9** If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

|           | Yes | No |
|-----------|-----|----|
| <b>1b</b> |     |    |
| <b>2</b>  |     |    |
|           |     |    |
| <b>4a</b> |     | No |
| <b>4b</b> |     | No |
| <b>4c</b> |     | No |
|           |     |    |
| <b>5a</b> |     | No |
| <b>5b</b> |     | No |
|           |     |    |
| <b>6a</b> |     | No |
| <b>6b</b> |     | No |
|           |     |    |
| <b>7</b>  |     | No |
| <b>8</b>  |     | No |
| <b>9</b>  |     |    |

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

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

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

| (A) Name and Title                               | (B) Breakdown of W-2 and/or 1099-MISC compensation |                                     |                                     | (C) Retirement and other deferred compensation | (D) Nontaxable benefits | (E) Total of columns (B)(i)-(D) | (F) Compensation reported as deferred in prior Form 990 |
|--|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|---|
|  | (i) Base compensation                              | (ii) Bonus & incentive compensation | (iii) Other reportable compensation |  |                         |                                 |   |
| (1) DONNA HARTFIEL<br>MD<br>DIRECTOR/PHYSICIAN   | (i) 0<br>(ii) 335,485                              | 0<br>0                              | 0<br>13,223                         | 0<br>5,100                                     | 0<br>10,062             | 0<br>363,870                    | 0<br>0  |
| (2) MARY B MAERTENS<br>PRESIDENT & CEO           | (i) 0<br>(ii) 267,288                              | 0<br>0                              | 0<br>51,192                         | 0<br>13,475                                    | 0<br>19,877             | 0<br>351,832                    | 0<br>0  |
| (3) SHARON WILLIAMS<br>SEC/TREAS & VP<br>FINANCE | (i) 150,460<br>(ii) 0                              | 0<br>0                              | 722<br>0                            | 3,105<br>0                                     | 20,311<br>0             | 174,598<br>0                    | 0<br>0  |
| (4) EDWARD WOLSKE<br>MD PHYSICIAN                | (i) 389,242<br>(ii) 0                              | 0<br>0                              | 522<br>0                            | 5,000<br>0                                     | 26,472<br>0             | 421,236<br>0                    | 0<br>0  |
| (5) TRACI KRUSE MD<br>PHYSICIAN                  | (i) 409,841<br>(ii) 0                              | 0<br>0                              | 598<br>0                            | 2,340<br>0                                     | 25,117<br>0             | 437,896<br>0                    | 0<br>0  |
| (6) ROCHELLE STARK<br>MD PHYSICIAN               | (i) 370,898<br>(ii) 0                              | 0<br>0                              | 655<br>0                            | 517<br>0                                       | 7,696<br>0              | 379,766<br>0                    | 0<br>0  |
| (7) KEVIN GILDNER<br>MD PHYSICIAN                | (i) 478,010<br>(ii) 0                              | 0<br>0                              | 3,050<br>0                          | 5,000<br>0                                     | 23,971<br>0             | 510,031<br>0                    | 0<br>0  |
| (8) CURTIS LOUWAGIE<br>MD PHYSICIAN              | (i) 699,026<br>(ii) 0                              | 0<br>0                              | 707<br>0                            | 5,000<br>0                                     | 17,948<br>0             | 722,681<br>0                    | 0<br>0  |

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

## Schedule L

## Transactions with Interested Persons

OMB No 1545-0047

2013

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Department of the Treasury  
Internal Revenue Service

► 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).

Name of the organization  
AVERA MARSHALL

**Employer identification number**

41-0919151

**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.

### Part III Grants or Assistance Benefiting Interested Persons.

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

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

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

| (a) Name of interested person | (b) Relationship between interested person and the organization | (c) Amount of transaction | (d) Description of transaction | (e) Sharing of organization's revenues? |    |
|-------------------------------|---|---------------------------|--------------------------------|---|----|
|                               |   |                           |                                | Yes                                     | No |
| (1) MELISSA YOUNGER           | FAMILY MEMBER OF BOARD MEMBER, RANDY SERREYN                    | 111,154                   | EMPLOYEE COMPENSATION          |   | No |
|                               |   |                           |                                |   |    |
|                               |   |                           |                                |   |    |
|                               |   |                           |                                |   |    |
|                               |   |                           |                                |   |    |

**Part V Supplemental Information**

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

Return Reference

Explanation

**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](http://www.irs.gov/form990).****2013****Open to Public  
Inspection**Name of the organization  
AVERA MARSHALL**Employer identification number**

41-0919153

| Return<br>Reference           | Explanation  |
|-------------------------------|--|
| FORM 990,<br>PART III, LINE 2 | * PROJECT SEARCH PROGRAM - SEPTEMBER 2013 * PURCHASED JOHNSON EYE CLINIC IN WORTHINGTON - JANUARY 2014<br>* FAMILY PRACTICE OUTREACH IN WABASSO - JANUARY 2014 * ELTC SERVICES IN MORNINGSIDE HEIGHTS - JANUARY 2014 * CARDIOLOGY AND ENT SPECIALISTS DOING IN-REACH AT MARSHALL - FALL 2013 * ISTENT PROCEDURES FOR GLAUCOMA - JULY 2013 * OPENED AVERA MEDICAL GROUP IVANHOE - JULY 2013 |

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

| Return Reference                        | Explanation  |
|---|--|
| FORM 990, PART VI,<br>SECTION A, LINE 2 | DONNA HARTFEL, MD HAS A BUSINESS RELATIONSHIP WITH SR MARY J REICHELT MARY MAERTENS HAS A BUSINESS RELATIONSHIP WITH SR MARY J REICHELT ROGER PABST, OD HAS A BUSINESS RELATIONSHIP WITH MARY MAERTENS |

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

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

| Return Reference                               | Explanation  |
|--|--|
| FORM 990,<br>PART VI,<br>SECTION A,<br>LINE 7B | <p>AVERA HEALTH HAS THE FOLLOWING RIGHTS AS THE MEMBER</p> <ol style="list-style-type: none"> <li>1 TO APPROVE THE ADOPTION, AMENDMENT OR REPEAL OF THE STATEMENTS OF PHILOSOPHY, MISSION AND VALUES OF CORPORATION,</li> <li>2 TO INITIATE THE ADOPTION, AMENDMENT OR REPEAL OF ANY PROVISION OF THE ARTICLES OF INCORPORATION OR BY LAWS OF CORPORATION, AND TO GIVE FINAL APPROVAL OF ANY SUCH ACTION WITH RESPECT THERETO,</li> <li>3 TO APPROVE AND ACT UPON THE ALIENATION OF REAL PROPERTY AND PRECIOUS ARTIFACTS UNDER THE CANONICAL STEWARDSHIP OF THE SISTERS OF THE PRESENTATION OF THE BLESSED VIRGIN MARY OF ABERDEEN, SOUTH DAKOTA ("PRESENTATION SISTERS") OR THE BENEDICTINE SISTERS OF SACRED HEART MONASTERY ("BENEDICTINE SISTERS"), PURSUANT TO THE POLICIES ESTABLISHED BY THE MEMBER,</li> <li>4 TO APPROVE ANY PLAN OF MERGER, CONSOLIDATION OR DISSOLUTION OF THE CORPORATION, OR THE DIVESTITURE OF A SPONSORED WORK OR MINISTRY ASSOCIATED WITH THE CORPORATION,</li> <li>5 TO APPROVE THE CREATION OF NEW SPONSORED WORKS OR MINISTRIES TO BE CONDUCTED BY OR UNDER THE AUTHORITY OF THE CORPORATION,</li> <li>6 TO APPOINT AND REMOVE, WITH OR WITHOUT CAUSE, THE BOARD OF DIRECTORS OF THE CORPORATION,</li> <li>7 TO APPOINT AND/OR REMOVE, WITH OR WITHOUT CAUSE, THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE CORPORATION,</li> <li>8 TO APPROVE OPERATING/CAPITAL BUDGETS AND STRATEGIC PLANS OF THE CORPORATION,</li> <li>9 TO APPROVE EXPENDITURES OUTSIDE OF OPERATING AND CAPITAL BUDGETS EXCEEDING DEFINED THRESHOLDS ACCORDING TO POLICY WHICH MAY BE ADOPTED FROM TIME TO TIME BY THE MEMBER,</li> <li>10 TO APPROVE ACQUISITIONS, SALES AND LEASES, ACCORDING TO POLICY WHICH MAY BE ADOPTED FROM TIME TO TIME BY THE MEMBERS,</li> <li>11 TO ESTABLISH AND MAINTAIN EMPLOYEE BENEFIT PROGRAMS,</li> <li>12 TO ESTABLISH AND MAINTAIN INSURANCE PROGRAMS,</li> <li>13 TO APPROVE MAJOR COMMUNITY FUND DRIVES,</li> <li>14 TO APPROVE THE APPOINTMENT OF AUDITORS,</li> <li>15 TO ADOPT POLICIES DESIGNED TO EFFECTUATE THE RESERVED POWERS OF THE MEMBER</li> </ol> |

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

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

| Return Reference                                | Explanation   |
|---|---|
| FORM 990,<br>PART VI,<br>SECTION B,<br>LINE 15B | THE PRESIDENT & CEO WAS COMPENSATED BY AVERA HEALTH ANNUALLY THE COMPENSATION COMMITTEE OF AVERA HEALTH, WHICH IS COMPRISED OF SIX (6) SYSTEM MEMBERS APPOINTED BY THE RELIGIOUS ORDERS, MEETS WITH AN INDEPENDENT CONSULTANT REGARDING FAIR MARKET VALUE OF OFFICERS AND KEY EMPLOYEES THE COMPENSATION COMMITTEE APPROVES ALL SALARIES BASED ON COMPARABLE DATA AND DOCUMENTS THE BASIS FOR THEIR DECISION IN MEETING MINUTES THE COMPENSATION OF THE CFO IS DETERMINED BY AVERA MARSHALL HUMAN RESOURCES BASED ON A MARKET ANALYSIS THE COMPENSATION COMMITTEE APPROVES THE CFO'S COMPENSATION |

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

| Return<br>Reference            | Explanation  |
|--------------------------------|--|
| FORM 990, PART<br>IX, LINE 11G | REPAIRS AND MAINTENANCE PROGRAM SERVICE EXPENSES 1,287,544 MANAGEMENT AND GENERAL EXPENSES 182,019 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,469,563 PURCHASED SERVICES PROGRAM SERVICE EXPENSES 4,388,959 MANAGEMENT AND GENERAL EXPENSES 1,156,568 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 5,545,527 |

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

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

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

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## **SCHEDULE R** **(Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2013

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

Name of the organization

AVERA MARSHALL

**Employer identification number**

41-091915

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

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

**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.

**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.

**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 | Yes |    |
| 1c | Yes |    |
| 1d |     | No |
| 1e | Yes |    |
| 1f |     | No |
| 1g |     | No |
| 1h |     | No |
| 1i |     | No |
| 1j | Yes |    |
| 1k |     | No |
| 1l | Yes |    |
| 1m | Yes |    |
| 1n |     | No |
| 1o | Yes |    |
| 1p | Yes |    |
| 1q | Yes |    |
| 1r | Yes |    |
| 1s | Yes |    |

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

| (a)<br>Name of related organization | (b)<br>Transaction type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|-------------------------------------|-------------------------------|------------------------|--|
| (1) AVERA MCKENNAN                  | L                             | 2,549,598              | GENERAL LEDGER                               |
| (2) AVERA MCKENNAN                  | M                             | 66,045                 | GENERAL LEDGER                               |
| (3) AVERA MCKENNAN                  | S                             | 186,963                | GENERAL LEDGER                               |
| (4) AVERA MARSHALL FOUNDATION       | C                             | 3,514,752              | GENERAL LEDGER                               |
| (5) AVERA MARSHALL FOUNDATION       | S                             | 155,417                | GENERAL LEDGER                               |

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

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

**Part VII Supplemental Information**

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

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

Schedule R (Form 990) 2013

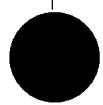
**Additional Data**

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

**Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations**

| (a)<br>Name, address, and EIN of related organization   | (b)<br>Primary activity                                      | (c)<br>Legal domicile<br>(state<br>or foreign<br>country) | (d)<br>Exempt Code<br>section | (e)<br>Public charity<br>status<br>(if section 501(c)<br>(3)) | (f)<br>Direct controlling<br>entity | (g)<br>Section 512<br>(b)(13)<br>controlled<br>entity? |    |
|---|--|---|-------------------------------|---|-------------------------------------|--|----|
|   |  |   |                               |   |                                     | Yes  | No |
| (1) AVERA ST ANTHONY'S HOSPITAL<br><br>300 N 2ND STREET<br>ONEILL, NE 68763<br>47-0463911                                       | HEALTHCARE SERVICES  | NE  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (1) AVERA HOLY FAMILY<br><br>826 N 8TH STREET<br>ESTHERVILLE, IA 51334<br>42-0680370  | HEALTHCARE SERVICES  | IA  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (2) AVERA HOLY FAMILY FOUNDATION<br><br>826 N 8TH STREET<br>ESTHERVILLE, IA 51334<br>42-1317452                                 | SUPPORT OF HOLY<br>FAMILY HOSPITAL AND<br>HOME HEALTH AGENCY | IA  | 501(C)(3)                     | LINE 9  | AVERA HOLY<br>FAMILY                |  | No |
| (3) ST BENEDICT HEALTH CENTER<br><br>401 WEST GLYNN DRIVE<br>PARKSTON, SD 57366<br>46-0226738                                   | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (4) ST BENEDICT HEALTH CENTER FOUNDATION<br><br>WEST GLYNN DRIVE PO BOX B<br>PARKSTON, SD 57366<br>46-0226738                   | SUPPORT HEALTH<br>RELATED SERVICES                           | SD  | 501(C)(3)                     | LINE 11A, I   | ST BENEDICT<br>HEALTH CENTER        |  | No |
| (5) AVERA MCKENNAN<br><br>1325 S CLIFF AVE PO BOX 5045<br>SIOUX FALLS, SD 57117<br>46-0224743                                   | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (6) AVERA QUEEN OF PEACE HOSPITAL<br><br>525 NORTH FOSTER<br>MITCHELL, SD 57301<br>46-0224604                                   | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (7) SACRED HEART HEALTH SERVICES<br><br>501 SUMMIT STREET<br>YANKTON, SD 57078<br>46-0225483                                    | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (8) AVERA GETTYSBURG<br><br>606 EAST GARFIELD<br>GETTSYBURG, SD 57442<br>46-0234354   | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 3  | AVERA ST MARY'S                     |  | No |
| (9) AVERA AT HOME<br><br>5116 S SOLBERG AV<br>SIOUX FALLS, SD 57108<br>46-0399291   | HOME SERVICES  | SD  | 501(C)(3)                     | LINE 9  | AVERA HEALTH                        |  | No |
| (10) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE<br>AGENCY<br><br>1000 W 4TH STREET SUITE 9<br>YANKTON, SD 57078<br>46-0337013 | HEALTHCARE<br>EDUCATION                                      | SD  | 501(C)(3)                     | LINE 9  | SACRED HEART<br>HEALTH SERVICES     |  | No |
| (11) AVERA ST LUKE'S<br><br>305 SOUTH STATE STREET<br>ABERDEEN, SD 57401<br>46-0224598  | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 3  | AVERA HEALTH                        |  | No |
| (12) AVERA ST MARY'S<br><br>801 EAST SIOUX AVENUE<br>PIERRE, SD 57501<br>46-0230199   | ECONOMICAL<br>COVERAGE OF<br>WORKERS'<br>COMPENSATION CLAIMS | SD  | 501(C)(3)                     | LINE 11B, II  | AVERA HEALTH                        |  | No |
| (13) AVERA HEALTH<br><br>3900 WEST AVERA DRIVE SUITE 300<br>SIOUX FALLS, SD 57108<br>46-0422673                                 | HEALTHCARE SERVICES  | SD  | 501(C)(3)                     | LINE 9  | N/A                                 |  | No |
| (14) AVERA MARSHALL FOUNDATION<br><br>300 S BRUCE STREET<br>MARSHALL, MN 56258<br>41-1784801                                    | FUNDRAISING  | MN  | 501(C)(3)                     | LINE 7  | AVERA MARSHALL                      | Yes  |    |

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



Consolidated Financial Statements  
June 30, 2014 and 2013

**Avera Health**

|  |    |
|--|----|
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## Independent Auditor's Report

The Board of Directors  
Avera Health  
Sioux Falls, South Dakota

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Avera Health, which comprise the consolidated balance sheets as of June 30, 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 financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avera Health as of June 30, 2014 and 2013, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 43 through 46 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sioux Falls, South Dakota  
November 14, 2014

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|  | 2014                           | 2013                           |
|--|--------------------------------|--------------------------------|
| <b>Assets</b>                                    |                                |                                |
| <b>Current Assets</b>                            |                                |                                |
| Cash and cash equivalents                        | \$ 86,604,034                  | \$ 94,889,928                  |
| Assets limited as to use                         | 27,128,045                     | 30,059,466                     |
| Receivables                                      |                                |                                |
| Patients and residents, net                      | 200,483,189                    | 177,224,302                    |
| Other  | 34,642,018                     | 17,043,114                     |
| Supplies   | 30,190,620                     | 28,081,247                     |
| Prepaid expenses and other                       | <u>16,505,209</u>              | <u>13,986,812</u>              |
| Total current assets                             | <u>395,553,115</u>             | <u>361,284,869</u>             |
| <b>Assets Limited as to Use</b>                  |                                |                                |
| Under indenture agreements                       | 56,158,220                     | 9,182,048                      |
| Other assets limited as to use                   | <u>846,416,160</u>             | <u>754,767,701</u>             |
| Total noncurrent assets limited as to use        | <u>902,574,380</u>             | <u>763,949,749</u>             |
| <b>Property and Equipment, Net</b>               | <u>738,780,435</u>             | <u>722,245,128</u>             |
| <b>Other Assets</b>                              |                                |                                |
| Custodial funds held for unconsolidated entities | 25,954,108                     | 23,891,638                     |
| Investments in affiliated organizations          | 8,294,413                      | 6,470,033                      |
| Goodwill   | 40,670,331                     | 38,897,444                     |
| Intangible assets, net                           | 15,423,733                     | 15,454,397                     |
| Deferred financing costs, net                    | 2,689,043                      | 2,078,575                      |
| Noncurrent receivables                           | 13,445,530                     | 13,760,182                     |
| Other  | <u>27,986,554</u>              | <u>21,281,311</u>              |
| Total other assets                               | <u>134,463,712</u>             | <u>121,833,580</u>             |
| <b>Total assets</b>                              | <u><u>\$ 2,171,371,642</u></u> | <u><u>\$ 1,969,313,326</u></u> |

**Avera Health**  
**Consolidated Balance Sheets**  
**June 30, 2014 and 2013**

---

|  | <b>2014</b>          | <b>2013</b>          |
|--|----------------------|----------------------|
| <b>Liabilities and Net Assets</b>                |                      |                      |
| <b>Current Liabilities</b>                       |                      |                      |
| Current maturities of long-term debt             | \$ 18,274,633        | \$ 17,961,347        |
| Accounts payable                                 | 50,248,539           | 42,139,135           |
| Accrued salaries, benefits and withholdings      | 70,993,082           | 68,419,121           |
| Interest payable                                 | 3,833,542            | 2,208,118            |
| Estimated insurance claims payable               | 23,252,770           | 20,282,712           |
| Estimated third-party payors                     | 13,322,515           | 15,000,007           |
| Other  | 16,087,658           | 12,483,752           |
| <br>Total current liabilities                    | <br>196,012,739      | <br>178,494,192      |
| <b>Non-Current Liabilities</b>                   |                      |                      |
| Long-term debt, less current maturities          | 442,989,482          | 397,896,465          |
| Custodial funds held for unconsolidated entities | 25,954,108           | 23,891,638           |
| Estimated insurance claims payable - noncurrent  | 16,888,625           | 18,864,376           |
| Derivative liability                             | 13,503,175           | 13,849,286           |
| Other  | 6,448,252            | 3,521,490            |
| <br>Total non-current liabilities                | <br>505,783,642      | <br>458,023,255      |
| <b>Net Assets</b>                                |                      |                      |
| Unrestricted                                     | 1,402,603,468        | 1,272,027,566        |
| Noncontrolling interest                          | 12,692,720           | 12,158,623           |
| <br>Total unrestricted net assets                | <br>1,415,296,188    | <br>1,284,186,189    |
| Temporarily restricted                           | 48,284,280           | 43,095,378           |
| Permanently restricted                           | 5,994,793            | 5,514,312            |
| <br>Total net assets                             | <br>1,469,575,261    | <br>1,332,795,879    |
| <br>Total liabilities and net assets             | <br>\$ 2,171,371,642 | <br>\$ 1,969,313,326 |

**Avera Health**  
**Consolidated Statements of Operations**  
**Years Ended June 30, 2014 and 2013**

|   | <b>2014</b>                  | <b>2013</b>                  |
|---|------------------------------|------------------------------|
| <b>Unrestricted Revenues, Gains, and Other Support</b>  |                              |                              |
| Net patient and resident service revenue  | \$ 1,387,310,750             | \$ 1,275,009,148             |
| Provision for bad debts   | (44,926,210)                 | (36,823,730)                 |
| Net patient service revenue less provision for bad debts  | <u>1,342,384,540</u>         | <u>1,238,185,418</u>         |
| Premium revenue   | 99,037,764                   | 82,888,236                   |
| Other revenue   | <u>84,266,278</u>            | <u>83,563,156</u>            |
| <b>Total revenues, gains, and other support</b>   | <b><u>1,525,688,582</u></b>  | <b><u>1,404,636,810</u></b>  |
| <b>Expenses</b>   |                              |                              |
| Salaries, wages, and benefits   | 856,070,903                  | 787,450,483                  |
| Supplies  | 249,107,279                  | 214,444,019                  |
| Other   | 234,921,222                  | 223,856,386                  |
| Claims expense  | 55,776,078                   | 47,334,760                   |
| Interest  | 13,721,531                   | 13,075,692                   |
| Depreciation and amortization   | <u>78,089,159</u>            | <u>73,878,275</u>            |
| <b>Total expenses</b>   | <b><u>1,487,686,172</u></b>  | <b><u>1,360,039,615</u></b>  |
| <b>Operating Income</b>   | <b><u>38,002,410</u></b>     | <b><u>44,597,195</u></b>     |
| <b>Other Income (Losses)</b>  |                              |                              |
| Investment income - realized  | 32,501,926                   | 25,053,354                   |
| Investment income - unrealized  | 60,348,021                   | 26,023,145                   |
| Other nonoperating, net   | (3,439,990)                  | 13,841,964                   |
| Change in fair value of interest rate swaps not<br>designated as hedges                                   | 193,881                      | 5,888,245                    |
| Reclassification of accumulated losses on interest rate swaps   | (534,363)                    | (534,363)                    |
| Loss on extinguishment of debt  | -                            | (403,567)                    |
| Gain on acquisitions  | <u>-</u>                     | <u>29,092,796</u>            |
| <b>Other income, net</b>  | <b><u>89,069,475</u></b>     | <b><u>98,961,574</u></b>     |
| <b>Revenues in Excess of Expenses</b>   | <b><u>127,071,885</u></b>    | <b><u>143,558,769</u></b>    |
| Investment by noncontrolling interests, and distributions<br>of earnings to noncontrolling interests, net | (5,654,163)                  | (5,114,834)                  |
| Reclassification of accumulated losses on interest rate swap  | 534,363                      | 534,363                      |
| Grants and contributions restricted for capital purposes  | 4,046,938                    | 1,931,498                    |
| Net assets released from restrictions for<br>purchases of property and equipment                          | 4,857,343                    | 1,421,355                    |
| Other changes in net assets   | <u>253,633</u>               | <u>608,176</u>               |
| <b>Increase in Unrestricted Net Assets</b>  | <b><u>\$ 131,109,999</u></b> | <b><u>\$ 142,939,327</u></b> |

**Avera Health**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended June 30, 2014 and 2013**

---

|   | <b>2014</b>                          | <b>2013</b>                          |
|---|--------------------------------------|--------------------------------------|
| <b>Unrestricted Net Assets</b>  |                                      |                                      |
| Revenues in excess of expenses  | \$ 127,071,885                       | \$ 143,558,769                       |
| Investment by noncontrolling interests, and distributions<br>of earnings to noncontrolling interests, net | (5,654,163)                          | (5,114,834)                          |
| Reclassification of accumulated losses on interest rate swap  | 534,363                              | 534,363                              |
| Grants and contributions restricted for capital purposes  | 4,046,938                            | 1,931,498                            |
| Net assets released from restrictions for<br>purchases of property and equipment                          | 4,857,343                            | 1,421,355                            |
| Other changes in net assets   | 253,633                              | 608,176                              |
|   | <hr/> <u>131,109,999</u>             | <hr/> <u>142,939,327</u>             |
| <b>Temporarily Restricted Net Assets</b>  |                                      |                                      |
| Contributions   | 7,771,841                            | 6,629,299                            |
| Investment income   | 5,141,346                            | 2,399,319                            |
| Net assets released from restrictions   | (7,724,285)                          | (4,231,019)                          |
|   | <hr/> <u>5,188,902</u>               | <hr/> <u>4,797,599</u>               |
| <b>Permanently Restricted Net Assets</b>  |                                      |                                      |
| Contributions   | <hr/> 480,481                        | <hr/> 513,298                        |
|   | <hr/> <u>136,779,382</u>             | <hr/> <u>148,250,224</u>             |
| <b>Net Assets, Beginning of Year</b>  | <hr/> <u>1,332,795,879</u>           | <hr/> <u>1,184,545,655</u>           |
| <b>Net Assets, End of Year</b>  | <hr/> <u><b>\$ 1,469,575,261</b></u> | <hr/> <u><b>\$ 1,332,795,879</b></u> |

**Avera Health**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

|   | <b>2014</b>          | <b>2013</b>          |
|---|----------------------|----------------------|
| <b>Operating Activities</b>   |                      |                      |
| Change in net assets  | \$ 136,779,382       | \$ 148,250,224       |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities                    |                      |                      |
| Net realized and unrealized gains and losses on investments   | (82,733,925)         | (34,133,478)         |
| Change in fair value of interest rate swaps   | (346,112)            | (6,418,726)          |
| Impairment losses   | 2,448,238            | 1,195,956            |
| Loss on disposal of property and equipment, net   | 799,195              | 1,851,058            |
| Depreciation and amortization   | 80,840,549           | 76,809,731           |
| Loss on extinguishment of debt - noncash portion  | -                    | 403,567              |
| Losses on equity method investments   | 1,506,480            | 1,659,529            |
| Restricted contributions  | (12,299,260)         | (9,074,095)          |
| Gain on acquisitions  | -                    | (29,092,796)         |
| Investment by noncontrolling interests, and distributions<br>of earnings to noncontrolling interests, net | 5,654,163            | 5,114,834            |
| Other non-cash changes  | (2,576,144)          | (563,208)            |
| Change in assets and liabilities  |                      |                      |
| Receivables   | (25,686,466)         | (3,885,130)          |
| Supplies  | (1,998,727)          | (359,355)            |
| Prepaid expenses and other assets   | (8,397,613)          | (2,303,764)          |
| Accounts payable  | 265,747              | (6,948,823)          |
| Estimated third-party payors  | (1,677,492)          | (3,919,229)          |
| Accrued expenses  | (385,019)            | 4,835,578            |
| Other current liabilities   | 14,584,994           | 458,285              |
| <b>Net Cash from Operating Activities</b>   | <b>106,777,990</b>   | <b>143,880,158</b>   |
| <b>Investing Activities</b>   |                      |                      |
| Purchases of investments  | (91,286,327)         | (155,330,917)        |
| Proceeds from disposition of investments  | 39,946,368           | 208,449,947          |
| Purchase of property and equipment  | (96,898,917)         | (108,244,890)        |
| Investment in affiliated organizations  | (4,887,861)          | (3,319,355)          |
| Distributions from affiliated companies   | 1,557,001            | 1,086,729            |
| Cash paid in business acquisitions, net of cash acquired in<br>acquisition of controlling interest        | (8,847,683)          | (82,517,573)         |
| Cash received for sale of business units  | 962,522              | 3,179,562            |
| (Increase) decrease in other assets   | (7,549,368)          | 73,384               |
| Proceeds from disposal of equipment   | 689,042              | 343,958              |
| <b>Net Cash used for Investing Activities</b>   | <b>(166,315,223)</b> | <b>(136,279,155)</b> |

**Avera Health**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

|   | <b>2014</b>       | <b>2013</b>       |
|---|-------------------|-------------------|
| <b>Financing Activities</b>   |                   |                   |
| Proceeds from issuance of long-term debt  | \$ 63,290,699     | \$ 25,135,267     |
| Proceeds from current and advanced refunding of bonds and other debt refinancing                                | -                 | 11,340,984        |
| Payments for current and advanced refunding of bonds and other debt refinancing                                 | -                 | (15,745,984)      |
| Scheduled principal payments on long-term debt  | (17,730,013)      | (12,401,190)      |
| Change in other long-term liabilities   | (134,954)         | (536,106)         |
| Payment of deferred financing costs   | (819,490)         | (71,695)          |
| Distributions to noncontrolling interests   | (5,654,163)       | (5,114,834)       |
| Restricted contributions  | 12,299,260        | 9,074,095         |
| <br>Net Cash from Financing Activities  | <br>51,251,339    | <br>11,680,537    |
| <br>Net Change in Cash and Cash Equivalents   | <br>(8,285,894)   | <br>19,281,540    |
| <br>Cash and Cash Equivalents, Beginning of Year  | <br>94,889,928    | <br>75,608,388    |
| <br>Cash and Cash Equivalents, End of Year  | <br>\$ 86,604,034 | <br>\$ 94,889,928 |
| <br><b>Supplemental Disclosure of Cash Flow Information</b>   |                   |                   |
| Cash paid during the year for interest, net of amounts capitalized of \$430,697 in 2014 and \$1,366,664 in 2013 | <br>\$ 13,911,795 | <br>\$ 13,427,826 |
| <br>Business acquisitions and divestitures  |                   |                   |
| Receivables   | \$ (292,427)      | \$ 9,482,470      |
| Other assets  | 527,600           | 2,461,915         |
| Property and equipment, net   | 4,597,101         | 15,537,395        |
| Goodwill  | 3,052,887         | 5,551,000         |
| Intangible assets   | -                 | 864,000           |
| Investments   | -                 | 50,206,734        |
| Noncontrolling interest   | -                 | (4,765,503)       |
| <br>Net cash paid   | <br>\$ 7,885,161  | <br>\$ 79,338,011 |
| <br><b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>                               |                   |                   |
| Accounts payable for purchase of property and equipment   | <br>\$ 5,897,850  | <br>\$ 5,272,383  |

## **Note 1 - Organization and Significant Accounting Policies**

### **Organization**

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

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

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

As part of a system-wide corporate financing plan, Avera Health established an Obligated Group to access the capital markets and make loans to its members. Obligated Group members are jointly and severally liable for the long-term debt outstanding under the Master Trust Indenture. The Obligated Group's unrestricted net assets represent approximately 93% of the consolidated unrestricted net assets of Avera Health as of June 30, 2014 and 2013.

### **Principles of Consolidation**

The consolidated financial statements for the years ended June 30, 2014 and 2013 include the accounts of the Organization and the following sponsored organizations and controlled subsidiaries. Significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

#### *Obligated Group*

- Avera Health
- Avera McKennan and Subsidiaries (Avera Home Medical Equipment LLC, Alumend LLC, and 66.67% of Heart Hospital of South Dakota LLC)
- Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital and Subsidiaries (Health Management Services (corporate sponsorship and control ended April 9, 2013), Lewis and Clark Health Education and Service Agency d/b/a Avera Education and Staffing Solutions, and Valley Health Services)
- Avera St. Luke's and Subsidiary (51% of Surgical Associates Endoscopy LLC)
- Avera Queen of Peace
- Avera Marshall and Subsidiary (Avera Marshall Foundation)
- Avera St. Mary's and Subsidiary (Avera Gettysburg) (became Obligated Group member on January 1, 2013)

*Non-Obligated Group*

- Avera St Anthony's Hospital
- Avera St Benedict Health Center
- Avera Holy Family Health
- Avera Health Plans, Inc
- Accounts Management, Inc (75% owned subsidiary)
- Avera Property Insurance, LLC
- Avera Communication, LLC
- Avera @ Home (began operations on July 1, 2013)

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding assets limited as to use.

**Patient and Resident Receivables**

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

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

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Organization's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed between the years ended June 30, 2014 and 2013. The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. The Organization has not significantly changed its charity care or uninsured discount policies during the years ended June 30, 2014 or 2013. Patient and resident receivables are shown net of estimated uncollectibles, charity care, and other allowances of approximately \$315,553,000 and \$259,136,000 as of June 30, 2014 and 2013, respectively.

### **Supplies**

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

### **Investments and Investment Income**

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

The Organization has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Many of these alternative investments have fair values that are determined using the net asset value (NAV) provided by the investment manager. NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Certain alternative investment holdings in real estate and private equity are carried at cost or under the equity method if fair value measures are not easily determinable.

### **Physician Notes Receivable and Guarantees**

Certain consolidated entities have entered into notes receivable and guaranteed salary commitments with certain physicians. These contracts are limited in duration, and serve the purpose of recruiting new physicians. Notes receivable with physicians totaling approximately \$18,648,000 at June 30, 2014 and \$17,087,000 at June 30, 2013 are recorded as other accounts receivable and noncurrent receivables in the consolidated balance sheets. Guaranteed salary commitments are recorded as other current and noncurrent liabilities.

### **Assets Limited as to Use**

Assets limited as to use include assets set aside by governing Boards for future capital improvements and debt redemption, over which the Boards retain control and may at their discretion subsequently use for other purposes, assets donated for specific purposes, assets held by a trustee under indenture agreements, and assets held by foundations and trusts. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

### **Fair Value Measurements**

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

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

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

### **Investments in Affiliated Organizations**

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

### **Property and Equipment**

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

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

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

### **Deferred Financing Costs**

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method and the straight-line method. Amortization of deferred financing costs is included in interest expense in the consolidated financial statements. Accumulated amortization of deferred financing costs was approximately \$1,605,000 and \$1,423,000 as of June 30, 2014 and 2013, respectively.

### **Intangible Assets**

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

### **Goodwill**

Goodwill represents the excess of cost over the fair value of the net assets acquired from business acquisitions.

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

The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The fair value of the reporting unit is estimated using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit. The discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of the respective reporting unit. The Organization performs its test for recoverability for goodwill at the same time each year, unless circumstances require additional analysis. As a result of these tests, impairment losses of \$1,280,000 and \$1,195,956 were recognized for the years ended June 30, 2014 and 2013, respectively.

### **Impairment of Long-Lived Assets**

Avera Health considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of the asset is appropriate. Impairment losses of \$1,168,238 were recorded for the year ended June 30, 2014. No impairment was identified for the year ended June 30, 2013.

### **Deferred Revenue**

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

### **Estimated Malpractice Costs, Health Insurance and Workers' Compensation**

Avera Health has established self-insurance programs for the majority of its employee health and dental insurance, workers' compensation benefits for employees, and for professional and general liability risks. Annual self-insurance expense under these programs is based on past claims experience and projected losses. Actuarial estimates of uninsured losses for each program at June 30, 2014 and 2013 have been accrued as liabilities and include an estimate of the ultimate costs for both reported claims and claims incurred but not reported. Avera Health also has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities.

### **Noncontrolling Interest**

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

The changes in consolidated unrestricted net assets attributable to the Organization's controlling interest and noncontrolling interests for the years ended June 30, 2014 and 2013 are as follows

|  | Unrestricted Net Assets        |                             |                                |
|--|--------------------------------|-----------------------------|--------------------------------|
|  | Controlling<br>Interest        | Noncontrolling<br>Interests | Total                          |
| June 30, 2012  |                                |                             |                                |
| Revenue in excess of expenses  | \$ 1,129,756.180               | \$ 11,490,682               | \$ 1,141,246.862               |
| Distributions to noncontrolling interests  | 137,956.170                    | 5,602,599                   | 143,558,769                    |
| Reclassification of accumulated losses<br>on interest rate swaps                 | -                              | (5,114,834)                 | (5,114,834)                    |
| Grants and contributions restricted for<br>capital purposes                      | 534,363                        | -                           | 534,363                        |
| Net assets released from restrictions for<br>purchases of property and equipment | 1,931,498                      | -                           | 1,931,498                      |
| Other changes in net assets  | 1,421,355                      | -                           | 1,421,355                      |
|  | <u>428,000</u>                 | <u>180,176</u>              | <u>608,176</u>                 |
| June 30, 2013  |                                |                             |                                |
| Revenue in excess of expenses  | 1,272,027.566                  | 12,158,623                  | 1,284,186,189                  |
| Distributions to noncontrolling interests  | 120,985,185                    | 6,086,700                   | 127,071,885                    |
| Reclassification of accumulated losses<br>on interest rate swaps                 | -                              | (5,654,163)                 | (5,654,163)                    |
| Grants and contributions restricted for<br>capital purposes                      | 534,363                        | -                           | 534,363                        |
| Net assets released from restrictions for<br>purchases of property and equipment | 4,046,938                      | -                           | 4,046,938                      |
| Other changes in net assets  | 4,857,343                      | -                           | 4,857,343                      |
|  | <u>152,073</u>                 | <u>101,560</u>              | <u>253,633</u>                 |
| June 30, 2014  | <u><u>\$ 1,402,603,468</u></u> | <u><u>\$ 12,692,720</u></u> | <u><u>\$ 1,415,296,188</u></u> |

#### **Temporarily and Permanently Restricted Net Assets**

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

#### **Endowments**

Endowment assets include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Avera Health preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. The portion of donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Avera Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of Avera Health.

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

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Avera Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Avera Health targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

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

### **Revenues in Excess of Expenses**

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

### **Net Patient and Resident Service Revenue**

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

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

Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2014 and 2013 from these major payor sources, is as follows

|  | 2014                        | 2013                        |
|--|-----------------------------|-----------------------------|
| Net patient and resident service revenue |                             |                             |
| Third-party payors                       | \$ 1,327,047,030            | \$ 1,217,970,878            |
| Self-pay                                 | <u>60,263,720</u>           | <u>57,038,270</u>           |
| <br>Total all payors                     | <br><u>\$ 1,387,310,750</u> | <br><u>\$ 1,275,009,148</u> |

### **Charity Care**

The Organization provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Total direct and indirect costs related to these foregone charges were approximately \$19,811,000 and \$17,646,000 at June 30, 2014 and 2013, which was determined based on an average ratio of cost to gross charges.

### **Premium Revenue**

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

### **Donor-Restricted Gifts**

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

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statements of operations.

### **Pledges Receivable**

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

### **Contributions Made**

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

### **Derivative Financial Instruments and Market Risk**

The Organization has adopted policies for managing risk related to exposure to variability in interest rates and other relevant market rates and prices which include consideration of entering into derivative instruments in order to mitigate its risks. The Organization recognizes all derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value.

### **Income Taxes**

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

Avera Health and its sponsored organizations believe that they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The federal Form 990T filings for consolidated subsidiaries are no longer subject to federal tax examinations by tax authorities for years before 2011.

Certain consolidated entities are subject to federal income taxes. Deferred income tax assets and liabilities are recognized for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. Deferred tax assets and liabilities are not material as of June 30, 2014 and 2013. The Organization paid an immaterial amount of federal and state income taxes for the years ended June 30, 2014 and 2013.

### **Advertising Costs**

The Organization expenses advertising costs as they are incurred. During the years ended June 30, 2014 and 2013, advertising expenses were \$7,123,000 and \$7,713,000, respectively.

### **Electronic Health Record (EHR) Incentives**

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

Medicaid programs and payment schedules vary from state to state, but generally require eligible hospitals to register for the program prior to 2016, engage in efforts to adopt, implement or upgrade certified EHR technology in order to qualify for the initial year of participation, and to demonstrate meaningful use of certified EHR technology in order to qualify for additional years of payments. The payment schedule is based on a formula of the overall EHR amount times the Medicaid share and is paid over a three year period with no more than 50% to be received in any one year.

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

During the years ended June 30, 2014 and 2013, the Organization recorded approximately \$9,381,000 and \$11,374,000 related to the Medicare program and approximately \$2,390,000 and \$2,420,000 related to Medicaid programs, respectively, in other revenue for meaningful use incentives. These incentives have been recognized when management becomes reasonably assured of meeting the required criteria.

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

### **Reclassifications**

Certain reclassifications have been made to the 2013 consolidated financial statements to make them conform to the 2014 presentation. The reclassifications had no effect on the consolidated changes in net assets.

### **Note 2 - Net Patient and Resident Revenue**

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

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

**Medicare - CAH:** Several of the Organization's consolidated subsidiaries are licensed as Critical Access Hospitals (CAH). These hospitals are reimbursed for most inpatient and outpatient services on a cost-based methodology with final settlement determined after submission of annual cost reports by the hospitals and are subject to audits thereof by the Medicare Administrative Contractor.

**Medicaid:** Inpatient acute care services rendered to Medicaid program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined amounts per service or under a cost reimbursement methodology depending on the applicable state program. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicaid program. The Organization's Medicaid cost reports have been settled by the Medicaid program through varying dates.

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

**Nursing Home – Medicare and Medicaid:** The Organization is reimbursed for nursing home resident services at established billing rates which are determined on a cost-related basis subject to certain limitations as prescribed by the South Dakota Department of Social Services regulations. These rates are subject to retroactive adjustment by field audit. Under the Medicare program, payment for resident services is made on a prospectively determined per diem basis. The per diems vary according to a resident classification system based on resource utilization.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 7% of the Organization's net patient service revenue for the year ended June 30, 2014 and 33% and 7% for the year ended June 30, 2013. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is an ongoing level of uncertainty relative to the estimated liability for prior period cost reports. There is a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Note 3 - Investments and Investment Income**

Investments and assets limited as to use consist of the following as of June 30, 2014 and 2013

|  | 2014                  | 2013                  |
|--|-----------------------|-----------------------|
| Cash and short-term investments                  | \$ 120,840,303        | \$ 90,910,358         |
| U S government issues                            | 31,205,011            | 37,435,280            |
| Corporate bonds                                  | 60,051,989            | 52,296,183            |
| Other fixed income                               | 19,693,334            | 20,163,008            |
| Publicly traded equity securities                | 63,001,777            | 73,810,564            |
| Foreign equities                                 | 47,237,877            | 38,999,234            |
| Equity mutual funds                              | 287,076,925           | 226,763,044           |
| Fixed income mutual funds                        | 166,254,112           | 138,450,225           |
| Balanced mutual funds                            | 47,929,726            | 41,268,477            |
| Non-publicly traded alternative investments      |                       |                       |
| Hedge fund                                       | 95,555,214            | 80,495,948            |
| Real asset                                       | 16,810,265            | 11,991,155            |
| Cost method investments                          | -                     | 5,317,377             |
|  | <b>\$ 955,656,533</b> | <b>\$ 817,900,853</b> |
| Assets limited as to use                         |                       |                       |
| Current - under indenture agreements             | \$ 8,928,045          | \$ 12,559,466         |
| Current - other                                  | 18,200,000            | 17,500,000            |
| Under indenture agreements                       | 56,158,220            | 9,182,048             |
| Other Long-term assets limited as to use         | 846,416,160           | 754,767,701           |
| Custodial funds held for unconsolidated entities | 25,954,108            | 23,891,638            |
|  | <b>\$ 955,656,533</b> | <b>\$ 817,900,853</b> |

Investment income and losses on assets limited as to use, cash equivalents, notes receivable, and other investments are comprised of the following for the years ended June 30, 2014 and 2013

|  | 2014                        | 2013                        |
|--|-----------------------------|-----------------------------|
| <b>Other Revenue</b>                                 |                             |                             |
| Interest income                                      | \$ 692,084                  | \$ 1,130,931                |
| Net realized (losses) gains on investments           | <u>2,667</u>                | <u>12,855</u>               |
|  | <b><u>\$ 694,751</u></b>    | <b><u>\$ 1,143,786</u></b>  |
| <b>Other Income</b>                                  |                             |                             |
| Interest and dividend income                         | \$ 15,260,035               | \$ 16,955,876               |
| Net realized gains on investments                    | 17,241,891                  | 8,097,478                   |
| Change in unrealized gains and losses on investments | <u>60,348,021</u>           | <u>26,023,145</u>           |
|  | <b><u>\$ 92,849,947</u></b> | <b><u>\$ 51,076,499</u></b> |
| <b>Changes in temporarily restricted net assets</b>  |                             |                             |
| Net realized gains (losses) on investments           | \$ 1,166,965                | \$ 3,356,721                |
| Change in unrealized gains and losses on investments | <u>3,974,381</u>            | <u>(957,402)</u>            |
|  | <b><u>\$ 5,141,346</u></b>  | <b><u>\$ 2,399,319</u></b>  |

### Alternative Investments

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

**Note 4 - Fair Value Measurements**

Assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and 2013, respectively, are as follows

|   | 2014                         |                              |                              |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | Level 1                      | Level 2                      | Level 3                      | Total                        |
| <b>Assets</b>                               |                              |                              |                              |                              |
| Assets limited as to use                    |                              |                              |                              |                              |
| Cash and short-term investments             | \$ 40,398,441                | \$ 80,441,862                | \$ -                         | \$ 120,840,303               |
| U S government issues                       | 25,542,393                   | 5,662,618                    | -                            | 31,205,011                   |
| Corporate bonds                             | -                            | 60,051,989                   | -                            | 60,051,989                   |
| Other fixed income                          | -                            | 19,693,334                   | -                            | 19,693,334                   |
| Publicly traded equity securities           | 63,001,777                   | -                            | -                            | 63,001,777                   |
| Foreign equities                            | 47,237,877                   | -                            | -                            | 47,237,877                   |
| Equity mutual funds                         | 51,487,309                   | 235,589,616                  | -                            | 287,076,925                  |
| Fixed income mutual funds                   | 1,162,361                    | 165,091,751                  | -                            | 166,254,112                  |
| Balanced mutual funds                       | 41,390                       | 47,888,336                   | -                            | 47,929,726                   |
| Non-publicly traded alternative investments |                              |                              |                              |                              |
| Hedge fund                                  | -                            | -                            | 95,555,214                   | 95,555,214                   |
| Real asset                                  | -                            | -                            | 16,810,265                   | 16,810,265                   |
| Other assets                                |                              |                              |                              |                              |
| Physician guarantees                        | -                            | -                            | 3,909,938                    | 3,909,938                    |
| Pledges receivable                          | -                            | -                            | 3,584,529                    | 3,584,529                    |
|   | <b><u>\$ 228,871,548</u></b> | <b><u>\$ 614,419,506</u></b> | <b><u>\$ 119,859,946</u></b> | <b><u>\$ 963,151,000</u></b> |
| <b>Liabilities</b>                          |                              |                              |                              |                              |
| Other liabilities                           |                              |                              |                              |                              |
| Pledge commitments                          | \$ -                         | \$ -                         | \$ 358,749                   | \$ 358,749                   |
| Physician guarantees                        | -                            | -                            | 3,909,938                    | 3,909,938                    |
| Interest rate swaps                         | -                            | 13,503,175                   | -                            | 13,503,175                   |
|   | <b><u>\$ -</u></b>           | <b><u>\$ 13,503,175</u></b>  | <b><u>\$ 4,268,687</u></b>   | <b><u>\$ 17,771,862</u></b>  |

|   | 2013                         |                              |                             |                              |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|
|   | Level 1                      | Level 2                      | Level 3                     | Total                        |
| <b>Assets</b>                               |                              |                              |                             |                              |
| Assets limited as to use                    |                              |                              |                             |                              |
| Cash and short-term investments             | \$ 60,438,930                | \$ 30,471,428                | \$ -                        | \$ 90,910,358                |
| U S government issues                       | 31,495,823                   | 5,939,457                    | -                           | 37,435,280                   |
| Corporate bonds                             | -                            | 52,296,183                   | -                           | 52,296,183                   |
| Other fixed income                          | 283,449                      | 19,879,559                   | -                           | 20,163,008                   |
| Publicly traded equity securities           | 73,810,564                   | -                            | -                           | 73,810,564                   |
| Foreign equities                            | 38,999,234                   | -                            | -                           | 38,999,234                   |
| Equity mutual funds                         | 42,469,959                   | 184,293,085                  | -                           | 226,763,044                  |
| Fixed income mutual funds                   | 594,384                      | 137,855,841                  | -                           | 138,450,225                  |
| Balanced mutual funds                       | -                            | 41,268,477                   | -                           | 41,268,477                   |
| Non-publicly traded alternative investments |                              |                              |                             |                              |
| Hedge fund                                  | -                            | -                            | 80,495,948                  | 80,495,948                   |
| Real asset                                  | -                            | -                            | 11,991,155                  | 11,991,155                   |
| Other assets                                |                              |                              |                             |                              |
| Physician guarantees                        | -                            | -                            | 749,174                     | 749,174                      |
| Pledges receivable                          | -                            | -                            | 3,764,997                   | 3,764,997                    |
|   | <b><u>\$ 248,092,343</u></b> | <b><u>\$ 472,004,030</u></b> | <b><u>\$ 97,001,274</u></b> | <b><u>\$ 817,097,647</u></b> |
| <b>Liabilities</b>                          |                              |                              |                             |                              |
| Other liabilities                           |                              |                              |                             |                              |
| Pledge commitments                          | \$ -                         | \$ -                         | \$ 521,667                  | \$ 521,667                   |
| Physician guarantees                        | -                            | -                            | 749,174                     | 749,174                      |
| Interest rate swap agreements               | <u>-</u>                     | <u>13,849,286</u>            | <u>-</u>                    | <u>13,849,286</u>            |
|   | <b><u>\$ -</u></b>           | <b><u>\$ 13,849,286</u></b>  | <b><u>\$ 1,270,841</u></b>  | <b><u>\$ 15,120,127</u></b>  |

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

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

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

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

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

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

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

|  | 2014                        |                             |                              |
|--|-----------------------------|-----------------------------|------------------------------|
|  | Hedge Fund                  | Real Asset                  | Total                        |
| Balance at June 30, 2013                     | \$ 80,495,948               | \$ 11,991,155               | \$ 92,487,103                |
| Net realized and unrealized gains and losses | 7,310,468                   | 3,273                       | 7,313,741                    |
| Purchases/Contributions/Other                | 11,300,000                  | 6,672,985                   | 17,972,985                   |
| Sales/Redemptions                            | <u>(3,551,202)</u>          | <u>(1,857,148)</u>          | <u>(5,408,350)</u>           |
| Balance at June 30, 2014                     | <u><u>\$ 95,555,214</u></u> | <u><u>\$ 16,810,265</u></u> | <u><u>\$ 112,365,479</u></u> |

|  | 2013                        |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|
|  | Hedge Fund                  | Real Asset                  | Total                       |
| Balance at July 1, 2012                      | \$ 71,784.753               | \$ 11,349.222               | \$ 83,133.975               |
| Net realized and unrealized gains and losses | 8,963,180                   | 1,073,400                   | 10,036,580                  |
| Purchases/Contributions                      | 6,559                       | -                           | 6,559                       |
| Sales/Redemptions                            | <u>(258,544)</u>            | <u>(431,467)</u>            | <u>(690,011)</u>            |
| Balance at June 30, 2013                     | <u><u>\$ 80,495,948</u></u> | <u><u>\$ 11,991,155</u></u> | <u><u>\$ 92,487,103</u></u> |

Included within the assets above are investments in certain entities that report fair value using a calculated NAV or its equivalent. The following table and explanations identify attributes relating to the nature and risk of such investments as of June 30, 2014 and 2013.

|                                 | 2014                         |                      |                          |
|---------------------------------|------------------------------|----------------------|--------------------------|
|                                 | Fair Value                   | Unfunded Commitments | Redemption Notice Period |
| <u>Level 2</u>                  |                              |                      |                          |
| Daily redemption frequency      |                              |                      |                          |
| Cash and short-term investments | \$ 80,377,131                | \$ -                 | Daily                    |
| Equity mutual funds             | 73,196,456                   | -                    | Daily                    |
| Monthly redemption frequency    |                              |                      |                          |
| Fixed income mutual funds       | <u>28,677,454</u>            | <u>-</u>             | <u>10-30 Days</u>        |
|                                 | <u><u>\$ 182,251,041</u></u> | <u><u>\$ -</u></u>   |                          |
| <u>Level 3</u>                  |                              |                      |                          |
| Monthly redemption frequency    |                              |                      |                          |
| Hedge fund                      | \$ 13,222,978                | \$ -                 | 30-90 Days               |
| Quarterly redemption frequency  |                              |                      |                          |
| Hedge fund                      | 20,556,041                   | -                    | 45-90 Days               |
| Annual redemption frequency     |                              |                      |                          |
| Hedge fund                      | 61,250,799                   | -                    | 45-90 Days               |
| Illiquid Investments            |                              |                      |                          |
| Hedge fund                      | 525,396                      | -                    | (A)                      |
| Real asset                      | <u>16,810,265</u>            | <u>-</u>             | <u>(B)</u>               |
|                                 | <u><u>\$ 112,365,479</u></u> | <u><u>\$ -</u></u>   |                          |

|                                 | 2013                         |                          |                          |
|---------------------------------|------------------------------|--------------------------|--------------------------|
|                                 | Fair Value                   | Unfunded Commitments     | Redemption Notice Period |
| <b>Level 2</b>                  |                              |                          |                          |
| Daily redemption frequency      |                              |                          |                          |
| Cash and short-term investments | \$ 30,471,428                | \$ -                     | Daily                    |
| Equity mutual funds             | 54,340,386                   | -                        | Daily                    |
| Monthly redemption frequency    |                              |                          |                          |
| Fixed income mutual funds       | <u>26,872,136</u>            | <u>-</u>                 | 10-30 Days               |
|                                 | <u><u>\$ 111,683,950</u></u> | <u><u>\$ -</u></u>       |                          |
| <b>Level 3</b>                  |                              |                          |                          |
| Monthly redemption frequency    |                              |                          |                          |
| Hedge fund                      | \$ 9,185,929                 | \$ -                     | 30-90 Days               |
| Quarterly redemption frequency  |                              |                          |                          |
| Hedge fund                      | 21,048,478                   | -                        | 45-90 Days               |
| Annual redemption frequency     |                              |                          |                          |
| Hedge fund                      | 49,569,704                   | -                        | 45-90 Days               |
| Illiquid Investments            |                              |                          |                          |
| Hedge fund                      | <u>691,837</u>               | <u>-</u>                 | (A)                      |
| Real asset                      | <u>11,991,155</u>            | <u>132,500</u>           | (B)                      |
|                                 | <u><u>\$ 92,487,103</u></u>  | <u><u>\$ 132,500</u></u> |                          |

- A This category includes a fund that employs a multi-strategy approach in managing the fund. Capital is allocated amongst a diverse industry base, employing a broad range of strategies. Strategies include, but are not limited to convertible and derivative investing, risk arbitrage and event driven investing, energy investing, yield and credit related investing, private placements and private investments, distressed investing, quantitative trading, reinsurance and risk-linked investing, fixed-income trading, structured finance, global macro trading, long/short investing, and special investments. Redemptions from the fund have been suspended as the fund is currently in the process of liquidating.
- B This category includes several private equity funds focused primarily in a diversified portfolio of limited partnerships, limited liability companies, and private REITs, or similar entities that will be focused on value added opportunities in the acquisition, development, redevelopment, operation, and management of commercial real estate properties. There are limited provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds wind down over expected future periods ranging from 2-12 years.

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

|                          | Pledges<br>Receivable      | Pledges<br>Commitments     | Physician<br>Guarantee<br>Asset | Physician<br>Guarantee<br>Liability |
|--------------------------|----------------------------|----------------------------|---------------------------------|-------------------------------------|
| July 1, 2012             | \$ 2,439,599               | \$ (613,772)               | \$ 1,744,547                    | \$ (1,744,547)                      |
| Pledges received (made)  | 2,577,124                  | (155,000)                  | -                               | -                                   |
| Cash (received) paid     | (1,309,912)                | 264,000                    | (1,167,407)                     | 1,167,407                           |
| Write-offs / adjustments | <u>58,186</u>              | <u>(16,895)</u>            | <u>172,034</u>                  | <u>(172,034)</u>                    |
| June 30, 2013            | 3,764,997                  | (521,667)                  | 749,174                         | (749,174)                           |
| Pledges received (made)  | 1,738,547                  | -                          | 4,170,601                       | (4,170,601)                         |
| Cash (received) paid     | (1,973,119)                | 189,000                    | (1,089,264)                     | 1,089,264                           |
| Write-offs / adjustments | <u>54,104</u>              | <u>(26,082)</u>            | <u>79,427</u>                   | <u>(79,427)</u>                     |
| June 30, 2014            | <u><u>\$ 3,584,529</u></u> | <u><u>\$ (358,749)</u></u> | <u><u>\$ 3,909,938</u></u>      | <u><u>\$ (3,909,938)</u></u>        |

### Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the balance sheets, including cash and equivalents, receivables, assets limited as to use with readily determinable market values, other assets, accounts payable, due to other organizations, other long-term liabilities, and variable rate long-term debt to be reasonable estimates of fair value either due to their length of maturity or the existence of variable interest rates underlying such financial instruments that approximate prevailing market rates at June 30, 2014 and 2013

The Organization's fixed rate long-term debt, including current portion, has a carrying amount that differs from its estimated fair value. The fair value of the Organization's fixed rate long-term debt is estimated using discounted cash flow analyses, based on the Organization's effective borrowing rates at respective reporting dates for similar types of arrangements. The carrying value of the Organization's fixed rate debt is \$245,211,848 and \$196,849,676 as of June 30, 2014 and 2013, respectively. The fair value of the Organization's fixed rate debt is estimated to be \$258,941,230 and \$201,069,552 as of June 30, 2014 and 2013, respectively.

### **Note 5 - Property and Equipment**

A summary of property and equipment is as follows

|                            | 2014                           |                              | 2013                           |                              |
|----------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
|                            | Cost                           | Accumulated Depreciation     | Cost                           | Accumulated Depreciation     |
| Land                       | \$ 51,729.442                  | \$ -                         | \$ 50,063.591                  | \$ -                         |
| Land improvements          | 22,310.705                     | 15,231.545                   | 21,171.668                     | 14,650,146                   |
| Buildings and improvements | 880,709.998                    | 415,083.741                  | 849,103.471                    | 386,544,028                  |
| Equipment                  | 584,907.970                    | 408,441.338                  | 548,417.857                    | 372,437,414                  |
| Construction in progress   | 37,878.944                     | -                            | 27,120,129                     | -                            |
|                            | <u><u>\$ 1,577,537.059</u></u> | <u><u>\$ 838,756.624</u></u> | <u><u>\$ 1,495,876.716</u></u> | <u><u>\$ 773,631.588</u></u> |
| Net property and equipment |                                | <u><u>\$ 738,780,435</u></u> |                                | <u><u>\$ 722,245,128</u></u> |

Construction in progress at June 30, 2014 consists of various building, software, and equipment projects. The estimated cost to complete the projects is approximately \$73.6 million and will be financed with Organization funds, proceeds from Series 2014 bonds, and other potential financing. The estimated cost to complete the projects includes contract commitments of approximately \$39.6 million as of June 30, 2014.

### **Note 6 - Investments in Affiliated Organizations**

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

| Organization Name                             | Percent<br>Ownership/<br>Sponsorship | 2014                       | 2013                       |
|---|--------------------------------------|----------------------------|----------------------------|
| Brookings MRI Services                        | 49.0%                                | \$ 2,183,760               | \$ 1,580,566               |
| Worthington CT Services                       | 25.0%                                | 816,889                    | 747,486                    |
| Other investments in affiliates               | 49.0% - 50.0%                        | <u>4,528,664</u>           | <u>4,126,881</u>           |
| Total equity method investments               |                                      | 7,529,313                  | 6,454,933                  |
| ExceleraRx, LLC (cost method)                 |                                      | <u>765,100</u>             | <u>15,100</u>              |
| Total investments in affiliated organizations |                                      | <u><u>\$ 8,294,413</u></u> | <u><u>\$ 6,470,033</u></u> |

Summary financial information on a combined basis for the above entities, as of and for the years ended June 30, 2014 and 2013, is as follows

|   | 2014                      | 2013                     |
|---|---------------------------|--------------------------|
| Cash and cash equivalents                                 | \$ 3,239,947              | \$ 3,444,326             |
| Other current assets                                      | 9,630,354                 | 8,052,391                |
| Land, buildings, and equipment - net                      | 2,972,084                 | 2,744,001                |
| Other non-current assets                                  | 786,850                   | 440,571                  |
| <br>Total assets  | <br><u>\$ 16,629,235</u>  | <br><u>\$ 14,681,289</u> |
| Total current liabilities                                 | \$ 2,299,221              | \$ 2,157,067             |
| Net assets/stockholders' equity                           | 14,330,014                | 12,524,222               |
| <br>Total liabilities and net assets/stockholders' equity | <br><u>\$ 16,629,235</u>  | <br><u>\$ 14,681,289</u> |
| Total revenues  | \$ 28,372,051             | \$ 25,866,282            |
| Total expenses  | (29,823,846)              | (26,800,536)             |
| <br>Net loss  | <br><u>\$ (1,451,795)</u> | <br><u>\$ (934,254)</u>  |

#### **Note 7 - Goodwill and Intangible Assets**

Changes in the carrying amount of goodwill during the years ended June 30, 2014 and 2013, were as follows

|                            | 2014                     | 2013                     |
|----------------------------|--------------------------|--------------------------|
| Balance, beginning of year | \$ 38,897,444            | \$ 34,870,868            |
| Goodwill acquired          | 3,052,887                | 5,551,000                |
| Goodwill impaired          | (1,280,000)              | (1,195,956)              |
| Other adjustments          | -                        | (328,468)                |
| <br>Balance, end of year   | <br><u>\$ 40,670,331</u> | <br><u>\$ 38,897,444</u> |

Intangible assets as of June 30, 2014 and 2013 consist of

|                               | <u>Cost</u>                 | <u>Accumulated Amortization</u> | <u>Net</u>                  |
|-------------------------------|-----------------------------|---------------------------------|-----------------------------|
| <b>Balance, June 30, 2014</b> |                             |                                 |                             |
| Non-compete agreements        | \$ 13,583,195               | \$ (8,040,212)                  | \$ 5,542,983                |
| Medical records               | 7,533,397                   | (3,210,695)                     | 4,322,702                   |
| Other                         | 9,354,225                   | (3,796,177)                     | 5,558,048                   |
|                               | <b><u>\$ 30,470,817</u></b> | <b><u>\$ (15,047,084)</u></b>   | <b><u>\$ 15,423,733</u></b> |
| <b>Balance, June 30, 2013</b> |                             |                                 |                             |
| Non-compete agreements        | \$ 13,318,070               | \$ (6,993,505)                  | \$ 6,324,565                |
| Medical records               | 7,468,171                   | (2,835,984)                     | 4,632,187                   |
| Other                         | 7,428,825                   | (2,931,180)                     | 4,497,645                   |
|                               | <b><u>\$ 28,215,066</u></b> | <b><u>\$ (12,760,669)</u></b>   | <b><u>\$ 15,454,397</u></b> |

Amortization expense for the years ended June 30, 2014 and 2013 was \$2,733,743 and \$2,731,800, respectively

Estimated future amortization expense is as follows

Years Ending June 30.

|            |                             |
|------------|-----------------------------|
| 2015       | \$ 2,467,477                |
| 2016       | 2,398,727                   |
| 2017       | 2,212,988                   |
| 2018       | 1,983,692                   |
| 2019       | 1,454,387                   |
| Thereafter | <u>4,906,462</u>            |
|            | <b><u>\$ 15,423,733</u></b> |

**Note 8 - Long-Term Debt**

Long-term debt consists of

|   | 2014               | 2013               |
|---|--------------------|--------------------|
| <b>Obligated Group Master Trust Obligations</b>   |                    |                    |
| South Dakota Health and Educational Facilities Authority Revenue Bonds Payable, Series 2008B, 5.25% to 5.50%, interest only until July 1, 2033, then varying annual installments to July 1, 2038  | \$ 50,320,000      | \$ 50,320,000      |
| South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Demand Revenue Bonds, 0.95% to 0.98% during the fiscal year for a weighted average interest rate of 0.96%, interest only until July 1, 2014, then varying annual installments through initial tender date of May 1, 2017 with a stated maturity of July 1, 2033 | 61,495,000         | 61,495,000         |
| South Dakota Health and Educational Facilities Authority Series 2012A Revenue Bonds, fixed interest rates ranging from 3.00% to 5.00%, due in varying semi-annual interest payments and annual principal payments to July 1, 2042   | 69,720,000         | 71,205,000         |
| South Dakota Health and Educational Facilities Authority Series 2012B Revenue Bonds, variable interest rates from 1.17% to 1.20% during the fiscal year for a weighted average interest rate of 1.18%, varying principal payments due annually through initial tender date of May 1, 2019, final maturity of July 1, 2038                           | 127,030,000        | 130,690,000        |
| Series 2012C term note obligation payable to a financial institution, fixed interest rate of 2.45%, due in monthly payments of \$70,201 with final balloon payment of \$15,672,840 due May 1, 2017  | 16,945,850         | 17,361,697         |
| Series 2012D term note obligation payable to a financial institution, fixed interest rate of 2.95%, due in monthly payments of \$96,605 through October 1, 2022   | 8,540,300          | 9,429,616          |
| Series 2012E term note obligation payable to a financial institution, fixed interest rate of 2.70%, due in monthly payments of \$46,405 with final balloon payment due January 1, 2020  | 9,641,011          | 9,929,625          |
| South Dakota Health and Educational Facilities Authority Series 2014A Revenue Bonds, fixed interest rates ranging from 4.125% to 5.00%, interest only until July 1, 2039, then varying annual installments to July 1, 2044  | 58,750,000         | -                  |
| <b>Total Master Trust Indenture Obligations</b>   | <b>402,442,161</b> | <b>350,430,938</b> |

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|   | 2014              | 2013              |
|---|-------------------|-------------------|
| <b>Other Obligations of Obligated Group Members</b>   |                   |                   |
| City of Creighton Health Care Facility Revenue Bonds, due annually in increasing installments through December 15, 2026   |                   |                   |
| Series 2006A, 4.375%  | \$ 2,875,157      | \$ 3,044,275      |
| Series 2006B, 4.375%  | 100,583           | 106,239           |
| Notes payable, 4.00% fixed interest, resets to a variable rate note on January 1, 2019 at the prime rate plus 1% subject to 4.00% floor   |                   |                   |
| Monthly principal and interest payments due as follows  |                   |                   |
| Payments of \$46,663 to July 1, 2024, with final balloon payment due on July 1, 2024  | 7,205,109         | 7,415,694         |
| Payments of \$20,184 to December 15, 2015   | 345,596           | 565,766           |
| Note payable, dated October 1, 2010, 3% fixed interest rate, original amount of \$20,000,000, monthly principal and interest payments of \$359,375 to October 1, 2015                               | 5,652,057         | 9,725,118         |
| Note payable, dated February 2006, variable interest at LIBOR + 1.25% (1.87% at June 30, 2014), monthly principal and interest payments of \$125,492, with final balloon payment due September 2020 | 12,047,199        | 13,553,100        |
| Notes payable to equipment lender, annual fixed rates of interest from 2.26% to 4.16%, original amounts totaling \$17,764,514, due in monthly principal and interest payments to January 2019       | 8,498,330         | 10,577,564        |
| Capital lease obligations   | 13,882            | 47,218            |
| Unamortized bond premiums and discounts   | <u>6,335,156</u>  | <u>3,441,873</u>  |
| <b>Total Other Obligations of Obligated Group Members</b>   | <b>43,073,069</b> | <b>48,476,847</b> |

**Avera Health**  
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|   | 2014                  | 2013                  |
|---|-----------------------|-----------------------|
| <b>Obligations of Non-Obligated Group Members</b>   |                       |                       |
| City of Estherville, Iowa, Avera Holy Family Health Revenue Bonds, Series 2012, 1 25% to 3 75%, due annually in increasing amounts to July 1, 2026  | \$ 3,600,000          | \$ 3,840,000          |
| City of O'Neill, Nebraska, Avera St Anthony's, Series 2012A Revenue Refunding Note, 3 25%, due in monthly payments of \$70,112 through December 2027  | 9,110,217             | 9,638,498             |
| City of O'Neill, Nebraska, Avera St Anthony's, Series 2012B Revenue Refunding Note, 4 75%, due in monthly payments of \$11,307 through December 2027  | 1,338,343             | 1,407,044             |
| City of Parkston, South Dakota, Avera St Benedict Health Center, Series 1993 Revenue Refunding Bonds, 4 25%, due in varying annual installments to 2014   | -                     | 105,000               |
| City of Parkston, South Dakota, Avera St Benedict Health Center, Series 2001, revenue bonds, 4 50%, due in varying annual installments to 2016  | 120,000               | 160,000               |
| City of Parkston, South Dakota, Avera St Benedict Health Center, Series 2005, revenue bonds, 3 50%, for five years, then interest rate is readjusted recalculated every five years according to a preset formula, due in varying annual installments to 2025 Interest rate to be adjusted in May 2015 | 1,420,000             | 1,540,000             |
| <b>Capital lease obligations</b>  | <u>160,325</u>        | <u>259,485</u>        |
| <b>Total Obligations of Non-Obligated Group Members</b>   | <u>15,748,885</u>     | <u>16,950,027</u>     |
| Total long-term debt  | 461,264,115           | 415,857,812           |
| Less current maturities   | (18,274,633)          | (17,961,347)          |
| <b>Long-term debt, less current maturities</b>  | <u>\$ 442,989,482</u> | <u>\$ 397,896,465</u> |

Long-term debt maturities are as follows

| <u>Years Ended June 30.</u>             |                              |
|---|------------------------------|
| 2015                                    | \$ 18,274,633                |
| 2016                                    | 14,951,912                   |
| 2017                                    | 28,598,628                   |
| 2018                                    | 11,851,066                   |
| 2019                                    | 11,555,758                   |
| Thereafter                              | 369,696,962                  |
| Unamortized bond premiums and discounts | <u>6,335,156</u>             |
|   | <u><u>\$ 461,264,115</u></u> |

Substantially all of the Organization's assets as of June 30, 2014 and 2013 are pledged as collateral for debt obligations

Under the terms of the loan agreements for the revenue bonds, the Organization and its consolidated affiliates are required to maintain certain deposits with trustees. Such deposits are included with assets limited as to use in the consolidated financial statements. Assets that are available for obligations classified as current liabilities are reported in current assets. The loan agreements also place limits on the incurrence of additional borrowings and requires that the Organization satisfy certain measures of financial performance as long as the bonds are outstanding.

### **Obligated Group**

As described in Note 1, the Avera Health Obligated Group (Obligated Group) was created to access the capital markets and make loans to its members. Obligated Group members are jointly and severally liable for the long-term debt outstanding under the Master Trust Indenture.

### **Debt Extinguishment**

Avera St. Anthony's recorded a loss on extinguishment of debt of \$403,567 during the year ended June 30, 2013 in connection with refinancing their long-term debt.

### **Line of Credit**

A consolidated subsidiary of the Organization has a \$3.5 million working capital line of credit provided by a mortgage lender, and is subject to the interest rate, covenants, guarantee and collateral of the real estate loan which is to expire in December 2014. No amounts were outstanding under this line of credit at June 30, 2014 and 2013.

### Note 9 - Leases

The Organization leases certain operations, equipment, and building space under various lease agreements with varying terms. The Organization also participates in leases that are categorized as capital leases. The leased assets have a net book value of approximately \$189,000 and \$301,000 as of June 30, 2014 and 2013, respectively. Total lease expense for all operating leases and rental agreements was approximately \$19,774,000 and \$18,575,000 for the years ended June 30, 2014 and 2013, respectively.

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

| <u>Years Ending June 30,</u>                         | <u>Capital<br/>Leases</u> | <u>Operating<br/>Leases</u> |
|--|---------------------------|-----------------------------|
| 2015   | \$ 125,914                | \$ 10,533,082               |
| 2016   | 56,016                    | 8,468,855                   |
| 2017   | -                         | 5,980,483                   |
| 2018   | -                         | 3,047,434                   |
| 2019   | -                         | 1,378,364                   |
| Thereafter   | -                         | 3,136,045                   |
| <br>Total minimum lease payments                     | <br>181,930               | <br>\$ 32,544,263           |
| Less interest  | (7,723)                   |                             |
| <br>Present value of minimum lease payments - Note 8 | <br>\$ 174,207            |                             |

### Note 10 - Interest Rate Swaps

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

| Reference | Maturity Date | Notional Amount | Organization Pays | Organization Receives | Fair Value          |                     |
|-----------|---------------|-----------------|-------------------|-----------------------|---------------------|---------------------|
|           |               |                 |                   |                       | 2014                | 2013                |
| Swap A    | 2028          | \$ 17,165,000   | 3.870%            | 6.7% of LIBOR         | \$ (2,973,205)      | \$ (3,537,201)      |
| Swap B    | 2033          | \$ 47,000,000   | 3.915%            | 6.7% of LIBOR         | (9,566,208)         | (9,196,092)         |
| Swap C    | 2020          | \$ 9,637,759    | 5.210%            | LIBOR +1.25%          | (963,762)           | (1,115,993)         |
|           |               |                 |                   |                       | <br>\$ (13,503,175) | <br>\$ (13,849,286) |

The Organization entered into Swap A to effectively convert \$17,165,000 of the variable rate Series 2008A bonds to synthetic fixed rate debt at the rate of 3.87%. The Organization entered into Swap B to effectively convert \$47,000,000 of the variable rate Series 2008C bonds into synthetic fixed rate debt at a rate of 3.915%. The Organization, through a consolidated affiliate, entered into Swap C to effectively convert 80% of a variable rate mortgage agreement, currently \$9,637,759, into synthetic fixed rate debt at a rate of 5.21%.

Effective July 1, 2009, the Organization elected to discontinue the designation of Swap A and Swap B as cash flow hedges. The net unrealized loss on the date of hedge accounting discontinuance of \$9,701,958 is being prospectively reclassified into revenues in excess of expenses as future interest payments are made over the remaining term of the swap agreements. For the years ended June 30, 2014 and 2013, \$534,363 was reclassified into revenues in excess of expenses in relation to the hedge discontinuance. The aggregate fair value of the swap agreements was recorded as a long term liability of \$12,539,413 and \$12,733,293 as of June 30, 2014 and 2013, respectively. The change in fair value of \$193,881 and \$5,888,245 was recorded to revenues in excess of expenses for the years ended June 30, 2014 and 2013, respectively.

The Organization has designated Swap C as a cash flow hedging instrument, and determined the agreement to be highly effective. The fair value of the swap agreement was recorded as a long term liability of \$963,762 and \$1,115,993 as of June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, the changes in fair value of \$152,231 and \$530,481, respectively, of the swap were recorded to other changes in net assets.

The following table summarizes the derivative transactions reflected in the consolidated balance sheets and consolidated statements of operations for the years ended June 30, 2014 and 2013.

|   | 2014            | 2013            |
|---|-----------------|-----------------|
| <b>Long-term Liability</b>                                    |                 |                 |
| Fair value of interest rate swap agreements                   | \$ (13,503,175) | \$ (13,849,286) |
| <b>Revenues in Excess of Expenses</b>                         |                 |                 |
| Change in fair value of interest rate swaps                   |                 |                 |
| not designated as hedging instruments                         | \$ 193,881      | \$ 5,888,245    |
| Reclassification of accumulated losses on interest rate swaps | (534,363)       | (534,363)       |
| Interest expense  | 2,272,669       | 2,524,892       |
| <b>Other Changes in Net Assets</b>                            |                 |                 |
| Change in fair value of interest rate swaps                   |                 |                 |
| designated as hedging instruments                             | \$ 152,231      | \$ 530,481      |
| Reclassification of accumulated losses on interest rate swaps | 534,363         | 534,363         |

### **Note 11 - Commitments**

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

Years Ending June 30.

|            |                             |
|------------|-----------------------------|
| 2015       | \$ 7,747,436                |
| 2016       | 7,692,256                   |
| 2017       | 7,403,895                   |
| 2018       | 4,489,421                   |
| 2019       | 2,052,000                   |
| Thereafter | <u>2,490,750</u>            |
|            | <u><u>\$ 31,875,758</u></u> |

### **Alternative Investment Commitment**

The Organization has commitments to invest approximately an additional \$15.4 million in various alternative investments.

### **Other Commitments**

Avera Health Plans, Inc (Health Plans), an affiliate of the Organization, is required to maintain a minimum net worth under the laws of the State of South Dakota. As of June 30, 2014, Health Plans has met the minimum net worth requirements.

### **Note 12 - Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

|  | 2014                 | 2013                 |
|--|----------------------|----------------------|
| Various health care programs and capital projects, including hospice, cancer care, various regional operations, and others | <u>\$ 48,284,280</u> | <u>\$ 43,095,378</u> |

Permanently restricted net assets at June 30, 2014 and 2013, are restricted to:

|   | 2014                | 2013                |
|---|---------------------|---------------------|
| Investments to be held in perpetuity, the income from which is expendable to support various health care program services | <u>\$ 5,994,793</u> | <u>\$ 5,514,312</u> |

### **Note 13 - Employee Pension Plans**

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

#### **Defined Benefit Pension Plan – Career Average**

Under the Career Average plan, employees in an eligible class who were in service on or after January 1, 1988 became active members on the first day of the month coinciding with or next following the date they met the eligibility requirements of age 21 and one year of service. Pension benefits are based on a percentage of the employee's eligible earnings and are payable at retirement under several annuitized payment options. During the years ended June 30, 2014 and 2013, the Organization contributed approximately \$17,571,000 and \$16,956,000, respectively, to the Career Average plan.

#### **Defined Benefit Pension Plan – Cash Balance**

Under the Cash Balance plan, employees first employed or reemployed after June 30, 2000 become active members on the first day of the month coinciding with or next following the date they meet the eligibility requirements of age 21 and one year of service. Pension benefits are based on a percentage of the employee's eligible earnings and are payable at retirement under several annuitized payment options. During the years ended June 30, 2014 and 2013, the Organization contributed approximately \$10,437,000 and \$7,840,000, respectively, to the Cash Balance plan.

The latest available financial information available for the Plans as of June 30, 2014 is as follows:

| Pension Plan                                     | EIN        | December 31,<br>2013<br>Plan Assets | December 31,<br>2013<br>Actuarial<br>Present Value<br>of Accumulated<br>Plan Benefits | Year Ended<br>December 31,<br>2013<br>Total Plan<br>Contributions |
|--|------------|-------------------------------------|---|---|
| Defined Benefit Pension Plan –<br>Career Average | 46-0253283 | \$ 306,836,666                      | \$ 335,381,145  | \$ 18,779,804   |
| Defined Benefit Pension Plan –<br>Cash Balance   | 46-0253283 | 63,076,277                          | 57,560,021  | 8,151,006   |
|  |            | <u>\$ 369,912,943</u>               | <u>\$ 392,941,166</u>   | <u>\$ 26,930,810</u>  |

### **Defined Contribution Employer Match Retirement Savings Plan (PBVM Match Retirement Savings)**

Eligible employees that participate in the Defined Benefit Pension Plan – Cash Balance also participate in a defined contribution pension plan ("403(b) Plan"). Under the 403(b) Plan, participant contributions are matched up to 2% of eligible employee compensation. The Organization recognized total 403(b) Plan expenses of approximately \$7,524,000 and \$6,455,000 for the years ended June 30, 2014 and 2013, respectively.

### **Other Defined Contribution Pension Plans**

Certain consolidated affiliates have defined contribution pension plans available to eligible employees. Employer contributions are based on a percentage of annual compensation and employee level of contributions. Employee and employer contributions are deposited with the plan trustees who invest the plan assets. The Organization recognized total other defined contribution pension plan expenses of approximately \$2,821,000 and \$2,498,000 for the years ended June 30, 2014 and 2013, respectively.

## **Note 14 - Contingencies**

### **Malpractice Insurance**

The Organization and most of its consolidated affiliates primarily participate in a self-insured professional liability program which provides malpractice insurance coverage for professional liability losses subject to a self-insured retention of \$2 million per claim and \$6 million annual aggregate. The Organization is also insured under an excess umbrella liability claims-made policy with a limit of \$35 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured subject to the self-insured retention only. Certain consolidated entities maintain their professional liability coverage on a claims-made basis with no significant deductibles.

### **Litigation, Regulatory and Compliance Matters**

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

In addition, during the course of business, Avera Health becomes involved in litigation. Management assesses the probable outcome of unresolved litigation and investigations and determines the appropriate accounting recognition or disclosure based on their assessment. As of June 30, 2014 and 2013, management feels there are no asserted or unasserted claims that would have a material impact on the consolidated financial position, results of operations, or cash flows of the Organization.

### **Note 15 - Concentrations of Credit Risk**

The Organization grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients and residents at June 30, 2014 and 2013, are as follows:

|  | 2014               | 2013               |
|--|--------------------|--------------------|
| Medicare   | 34%                | 32%                |
| Blue Cross                                       | 16%                | 16%                |
| Medicaid   | 8%                 | 8%                 |
| Commercial insurance                             | 11%                | 9%                 |
| Other third-party payors, patients and residents | <u>31%</u>         | <u>35%</u>         |
|  | <u><u>100%</u></u> | <u><u>100%</u></u> |

The Organization's cash balances are maintained in various bank deposit accounts. At times during the years ended June 30, 2014 and 2013, the consolidated balances of these deposits were in excess of federally-insured limits.

### **Note 16 - Functional Expenses**

The Organization provides general health care services to patients and residents within its geographic location. Expenses related to providing these services are as follows for the years ended June 30, 2014 and 2013:

|                            | 2014                           | 2013                           |
|----------------------------|--------------------------------|--------------------------------|
| Program services           | \$ 1,246,295,559               | \$ 1,135,156,269               |
| General and administrative | 239,993,548                    | 223,416,022                    |
| Fundraising                | <u>1,397,065</u>               | <u>1,467,324</u>               |
|                            | <u><u>\$ 1,487,686,172</u></u> | <u><u>\$ 1,360,039,615</u></u> |

### **Note 17 - Business Combinations**

#### **2014 Acquisitions**

During the years ended June 30, 2014, the Organization closed on purchase agreements for the acquisition of an independent diagnostic testing company and various medical clinic practices. Accordingly, the results of operations for these acquisitions have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date.

The total purchase prices for 2014 acquisitions were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2014, as follows

|  |                     |
|--|---------------------|
| Receivables and other assets           | \$ 235,173          |
| Property and equipment, net            | 4,597,101           |
| Goodwill                               | <u>3,052,887</u>    |
|  |                     |
| Total assets acquired / purchase price | <u>\$ 7,885,161</u> |

Pro forma unrestricted revenue, gains, and other support and operating income as well as additional pro forma disclosures for changes in net assets have been omitted because of impracticality of measuring certain amounts prior to the acquisition date related to 2014 acquisitions

### **2013 Acquisitions**

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

During the years ended June 30, 2013, the Organization also closed on purchase agreements for the acquisition of various medical clinic practices. Accordingly, the results of operations for these acquisitions have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date.

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

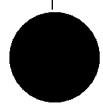
|  | St. Mary's    | Others        |
|--|---------------|---------------|
| Unrestricted revenue, gains, and other support subsequent to the date of acquisition | \$ 24,482,980 | \$ 18,298,924 |
| Operating income subsequent to the date of acquisition                               | 854,177       | 52,122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

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

|                             | St. Mary's                  | Other              |
|-----------------------------|-----------------------------|--------------------|
| Cash and cash equivalents   | \$ 581,303                  | \$ -               |
| Receivables                 | 9,075,428                   | 407,042            |
| Other assets                | 1,405,665                   | 1,056,250          |
| Property and equipment, net | 42,462,326                  | 2,167,865          |
| Goodwill                    | -                           | 5,551,000          |
| Intangible assets           | -                           | 864,000            |
| Investments                 | <u>50,206,734</u>           | <u>-</u>           |
| Total assets acquired       | <u>103,731,456</u>          | <u>10,046,157</u>  |
| Liabilities                 | <u>(4,638,660)</u>          | <u>(126,843)</u>   |
| Net assets acquired         | <u>99,092,796</u>           | <u>9,919,314</u>   |
| Net cash purchase price     | <u>70,000,000</u>           | <u>9,919,314</u>   |
| Gain on acquisition         | <u><u>\$ 29,092,796</u></u> | <u><u>\$ -</u></u> |

#### **Note 18 - Subsequent Events**

The Organization has evaluated subsequent events through November 14, 2014, the date which the consolidated financial statements were available to be issued



Supplementary Information  
June 30, 2014

**Avera Health**

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|  | Avera<br>Obligated<br>Group    | Non-Obligated<br>Group       | Eliminations<br>and<br>Reclassifications | Consolidated                   |
|--|--------------------------------|------------------------------|--|--------------------------------|
| <b>Assets</b>                                    |                                |                              |  |                                |
| <b>Current Assets</b>                            |                                |                              |  |                                |
| Cash and cash equivalents                        | \$ 67,289,840                  | \$ 19,314,194                | \$ -                                     | \$ 86,604,034                  |
| Assets limited as to use                         | 19,736,409                     | 7,391,636                    | -  | 27,128,045                     |
| Receivables                                      |                                |                              |  |                                |
| Patients and residents, net                      | 194,024,818                    | 12,058,371                   | (5,600,000)                              | 200,483,189                    |
| Other  | 36,668,923                     | 7,640,099                    | (9,667,004)                              | 34,642,018                     |
| Supplies   | 28,207,255                     | 1,983,365                    | -  | 30,190,620                     |
| Prepaid expenses and other                       | 14,483,829                     | 2,021,380                    | -  | 16,505,209                     |
| Total current assets                             | <u>360,411,074</u>             | <u>50,409,045</u>            | <u>(15,267,004)</u>                      | <u>395,553,115</u>             |
| <b>Assets Limited as to Use</b>                  |                                |                              |  |                                |
| Under indenture agreements                       | 55,448,638                     | 709,582                      | -  | 56,158,220                     |
| Other assets limited as to use                   | 792,082,922                    | 54,333,238                   | -  | 846,416,160                    |
| Total noncurrent assets limited as to use        | <u>847,531,560</u>             | <u>55,042,820</u>            | <u>-</u>                                 | <u>902,574,380</u>             |
| <b>Property and Equipment</b>                    |                                |                              |  |                                |
|  | <u>692,457,876</u>             | <u>46,322,559</u>            | <u>-</u>                                 | <u>738,780,435</u>             |
| <b>Other Assets</b>                              |                                |                              |  |                                |
| Custodial funds held for unconsolidated entities | 25,954,108                     | -                            | -  | 25,954,108                     |
| Custodial funds held for consolidated entities   | 37,907,710                     | -                            | (37,907,710)                             | -                              |
| Investments in affiliated organizations          | 8,139,678                      | 154,735                      | -  | 8,294,413                      |
| Goodwill   | 40,670,331                     | -                            | -  | 40,670,331                     |
| Intangible assets, net                           | 15,304,685                     | 119,048                      | -  | 15,423,733                     |
| Deferred financing costs, net                    | 2,506,606                      | 182,437                      | -  | 2,689,043                      |
| Noncurrent receivables                           | 14,527,822                     | 167,708                      | (1,250,000)                              | 13,445,530                     |
| Other  | 27,178,210                     | 808,344                      | -  | 27,986,554                     |
| Total other assets                               | <u>172,189,150</u>             | <u>1,432,272</u>             | <u>(39,157,710)</u>                      | <u>134,463,712</u>             |
| <b>Total assets</b>                              | <u><u>\$ 2,072,589,660</u></u> | <u><u>\$ 153,206,696</u></u> | <u><u>\$ (54,424,714)</u></u>            | <u><u>\$ 2,171,371,642</u></u> |

**Avera Health**  
**Consolidating Balance Sheets**  
**June 30, 2014**

|  | <b>Avera<br/>Obligated<br/>Group</b> | <b>Non-Obligated<br/>Group</b> | <b>Eliminations<br/>and<br/>Reclassifications</b> | <b>Consolidated</b>     |
|--|--------------------------------------|--------------------------------|---|-------------------------|
| <b>Liabilities and Net Assets</b>                |                                      |                                |   |                         |
| <b>Current Liabilities</b>                       |                                      |                                |   |                         |
| Current maturities of long-term debt             | \$ 17,149,128                        | \$ 8,825,505                   | \$ (7,700,000)                                    | \$ 18,274,633           |
| Accounts payable                                 | 44,127,116                           | 8,088,427                      | (1,967,004)                                       | 50,248,539              |
| Accrued salaries, benefits and withholdings      | 65,995,108                           | 4,997,974                      | -   | 70,993,082              |
| Interest payable                                 | 3,737,815                            | 95,727                         | -   | 3,833,542               |
| Estimated insurance claims payable               | 14,600,000                           | 14,252,770                     | (5,600,000)                                       | 23,252,770              |
| Estimated third-party payors                     | 11,702,875                           | 1,619,640                      | -   | 13,322,515              |
| Other  | 10,791,801                           | 5,295,857                      | -   | 16,087,658              |
| <b>Total current liabilities</b>                 | <b>168,103,843</b>                   | <b>43,175,900</b>              | <b>(15,267,004)</b>                               | <b>196,012,739</b>      |
| <b>Non-Current Liabilities</b>                   |                                      |                                |   |                         |
| Long-term debt, less current maturities          | 428,366,102                          | 14,623,380                     | -   | 442,989,482             |
| Custodial funds held for unconsolidated entities | 25,954,108                           | -                              | -   | 25,954,108              |
| Custodial funds held for consolidated entities   | 37,907,710                           | -                              | (37,907,710)                                      | -                       |
| Estimated insurance claims payable               | 16,888,625                           | -                              | -   | 16,888,625              |
| Derivative liability                             | 13,503,175                           | -                              | -   | 13,503,175              |
| Other  | 5,617,876                            | 2,080,376                      | (1,250,000)                                       | 6,448,252               |
| <b>Total non-current liabilities</b>             | <b>528,237,596</b>                   | <b>16,703,756</b>              | <b>(39,157,710)</b>                               | <b>505,783,642</b>      |
| <b>Net Assets</b>                                |                                      |                                |   |                         |
| Unrestricted                                     | 1,310,079,991                        | 92,523,477                     | -   | 1,402,603,468           |
| Noncontrolling interest                          | 12,617,725                           | 74,995                         | -   | 12,692,720              |
| <b>Total unrestricted net assets</b>             | <b>1,322,697,716</b>                 | <b>92,598,472</b>              | <b>-</b>  | <b>1,415,296,188</b>    |
| Temporarily restricted                           | 47,774,155                           | 510,125                        | -   | 48,284,280              |
| Permanently restricted                           | 5,776,350                            | 218,443                        | -   | 5,994,793               |
| <b>Total net assets</b>                          | <b>1,376,248,221</b>                 | <b>93,327,040</b>              | <b>-</b>  | <b>1,469,575,261</b>    |
| <b>Total liabilities and net assets</b>          | <b>\$ 2,072,589,660</b>              | <b>\$ 153,206,696</b>          | <b>\$ (54,424,714)</b>                            | <b>\$ 2,171,371,642</b> |

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|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated            |
|--|-----------------------------|------------------------|--|-------------------------|
| <b>Assets</b>                                    |                             |                        |  |                         |
| <b>Current Assets</b>                            |                             |                        |  |                         |
| Cash and cash equivalents                        | \$ 83,241,294               | \$ 11,648,634          | \$ -                                     | \$ 94,889,928           |
| Assets limited as to use                         | 19,023,704                  | 11,035,762             | -  | 30,059,466              |
| Receivables                                      |                             |                        |  |                         |
| Patients and residents, net                      | 172,427,570                 | 8,696,732              | (3,900,000)                              | 177,224,302             |
| Other  | 16,496,146                  | 3,038,424              | (2,491,456)                              | 17,043,114              |
| Supplies   | 26,070,628                  | 2,010,619              | -  | 28,081,247              |
| Prepaid expenses and other                       | 11,934,568                  | 2,052,244              | -  | 13,986,812              |
| Total current assets                             | <u>329,193,910</u>          | <u>38,482,415</u>      | <u>(6,391,456)</u>                       | <u>361,284,869</u>      |
| <b>Assets Limited as to Use</b>                  |                             |                        |  |                         |
| Under indenture agreements                       | 8,380,249                   | 801,799                | -  | 9,182,048               |
| Other assets limited as to use                   | <u>707,009,822</u>          | <u>47,757,879</u>      | <u>-</u>                                 | <u>754,767,701</u>      |
| Total noncurrent assets limited as to use        | <u>715,390,071</u>          | <u>48,559,678</u>      | <u>-</u>                                 | <u>763,949,749</u>      |
| <b>Property and Equipment</b>                    |                             |                        |  |                         |
|  | <u>677,417,041</u>          | <u>44,828,087</u>      | <u>-</u>                                 | <u>722,245,128</u>      |
| <b>Other Assets</b>                              |                             |                        |  |                         |
| Custodial funds held for unconsolidated entities | 23,891,638                  | -                      | -  | 23,891,638              |
| Custodial funds held for consolidated entities   | 33,553,915                  | -                      | (33,553,915)                             | -                       |
| Investments in affiliated organizations          | 6,312,459                   | 157,574                | -  | 6,470,033               |
| Goodwill   | 38,897,444                  | -                      | -  | 38,897,444              |
| Intangible assets, net                           | 15,281,588                  | 172,809                | -  | 15,454,397              |
| Deferred financing costs, net                    | 1,885,568                   | 193,007                | -  | 2,078,575               |
| Noncurrent receivables                           | 14,639,759                  | 370,423                | (1,250,000)                              | 13,760,182              |
| Other  | <u>20,546,452</u>           | <u>734,859</u>         | <u>-</u>                                 | <u>21,281,311</u>       |
| Total other assets                               | <u>155,008,823</u>          | <u>1,628,672</u>       | <u>(34,803,915)</u>                      | <u>121,833,580</u>      |
| <b>Total assets</b>                              | <u>\$ 1,877,009,845</u>     | <u>\$ 133,498,852</u>  | <u>\$ (41,195,371)</u>                   | <u>\$ 1,969,313,326</u> |

**Avera Health**  
**Consolidating Balance Sheets**  
**June 30, 2013**

|  | <b>Avera<br/>Obligated<br/>Group</b> | <b>Non-Obligated<br/>Group</b> | <b>Eliminations<br/>and<br/>Reclassifications</b> | <b>Consolidated</b>     |
|--|--------------------------------------|--------------------------------|---|-------------------------|
| <b>Liabilities and Net Assets</b>                |                                      |                                |   |                         |
| <b>Current Liabilities</b>                       |                                      |                                |   |                         |
| Current maturities of long-term debt             | \$ 16,764,773                        | \$ 1,196,574                   | \$ -  | \$ 17,961,347           |
| Accounts payable                                 | 40,345,146                           | 4,285,445                      | (2,491,456)                                       | 42,139,135              |
| Accrued salaries, benefits and withholdings      | 64,155,623                           | 4,263,498                      | -   | 68,419,121              |
| Interest payable                                 | 2,130,746                            | 77,372                         | -   | 2,208,118               |
| Estimated insurance claims payable               | 14,100,000                           | 10,082,712                     | (3,900,000)                                       | 20,282,712              |
| Estimated third-party payors                     | 14,083,168                           | 916,839                        | -   | 15,000,007              |
| Other  | 8,718,525                            | 3,765,227                      | -   | 12,483,752              |
| <b>Total current liabilities</b>                 | <b>160,297,981</b>                   | <b>24,587,667</b>              | <b>(6,391,456)</b>                                | <b>178,494,192</b>      |
| <b>Non-Current Liabilities</b>                   |                                      |                                |   |                         |
| Long-term debt, less current maturities          | 382,143,012                          | 15,753,453                     | -   | 397,896,465             |
| Custodial funds held for unconsolidated entities | 23,891,638                           | -                              | -   | 23,891,638              |
| Custodial funds held for consolidated entities   | 33,553,915                           | -                              | (33,553,915)                                      | -                       |
| Estimated insurance claims payable               | 18,864,376                           | -                              | -   | 18,864,376              |
| Derivative liability                             | 13,849,286                           | -                              | -   | 13,849,286              |
| Other  | 2,885,542                            | 1,885,948                      | (1,250,000)                                       | 3,521,490               |
| <b>Total non-current liabilities</b>             | <b>475,187,769</b>                   | <b>17,639,401</b>              | <b>(34,803,915)</b>                               | <b>458,023,255</b>      |
| <b>Net Assets</b>                                |                                      |                                |   |                         |
| Unrestricted                                     | 1,182,309,071                        | 89,718,495                     | -   | 1,272,027,566           |
| Noncontrolling interest                          | 12,061,957                           | 96,666                         | -   | 12,158,623              |
| <b>Total unrestricted net assets</b>             | <b>1,194,371,028</b>                 | <b>89,815,161</b>              | <b>-</b>  | <b>1,284,186,189</b>    |
| Temporarily restricted                           | 41,834,496                           | 1,260,882                      | -   | 43,095,378              |
| Permanently restricted                           | 5,318,571                            | 195,741                        | -   | 5,514,312               |
| <b>Total net assets</b>                          | <b>1,241,524,095</b>                 | <b>91,271,784</b>              | <b>-</b>  | <b>1,332,795,879</b>    |
| <b>Total liabilities and net assets</b>          | <b>\$ 1,877,009,845</b>              | <b>\$ 133,498,852</b>          | <b>\$ (41,195,371)</b>                            | <b>\$ 1,969,313,326</b> |

**Avera Health**  
**Consolidating Statements of Operations**  
**For the Year Ended June 30, 2014**

|  | <b>Avera<br/>Obligated<br/>Group</b> | <b>Non-Obligated<br/>Group</b> | <b>Eliminations<br/>and<br/>Reclassifications</b> | <b>Consolidated</b>   |
|--|--------------------------------------|--------------------------------|---|-----------------------|
| <b>Unrestricted Revenues, Gains, and Other Support</b>   |                                      |                                |   |                       |
| Net patient and resident service revenue   | \$ 1,337,243,190                     | \$ 86,095,796                  | \$ (36,028,236)                                   | \$ 1,387,310,750      |
| Provision for bad debts  | (42,803,650)                         | (2,122,560)                    | -   | (44,926,210)          |
| Net patient service revenue,<br>less provision for bad debt  | 1,294,439,540                        | 83,973,236                     | (36,028,236)                                      | 1,342,384,540         |
| Premium revenue  | -                                    | 99,037,764                     | -   | 99,037,764            |
| Other revenue  | 89,821,324                           | 7,754,815                      | (13,309,861)                                      | 84,266,278            |
| <b>Total revenues, gains, and other support</b>  | <b>1,384,260,864</b>                 | <b>190,765,815</b>             | <b>(49,338,097)</b>                               | <b>1,525,688,582</b>  |
| <b>Expenses</b>  |                                      |                                |   |                       |
| Salaries, wages and benefits   | 797,208,887                          | 58,862,016                     | -   | 856,070,903           |
| Supplies   | 239,267,674                          | 9,839,605                      | -   | 249,107,279           |
| Other  | 220,435,556                          | 27,795,527                     | (13,309,861)                                      | 234,921,222           |
| Claims expense   | -                                    | 91,804,314                     | (36,028,236)                                      | 55,776,078            |
| Interest   | 13,162,132                           | 745,253                        | (185,854)   | 13,721,531            |
| Depreciation and amortization  | 72,945,004                           | 5,144,155                      | -   | 78,089,159            |
| <b>Total expenses</b>  | <b>1,343,019,253</b>                 | <b>194,190,870</b>             | <b>(49,523,951)</b>                               | <b>1,487,686,172</b>  |
| <b>Operating Income (Loss)</b>   | <b>41,241,611</b>                    | <b>(3,425,055)</b>             | <b>185,854</b>                                    | <b>38,002,410</b>     |
| <b>Other Income (Losses)</b>   |                                      |                                |   |                       |
| Investment income - realized   | 30,861,583                           | 1,826,197                      | (185,854)   | 32,501,926            |
| Investment income - unrealized   | 56,931,610                           | 3,416,411                      | -   | 60,348,021            |
| Other nonoperating, net  | (3,555,140)                          | 115,150                        | -   | (3,439,990)           |
| Change in fair value of interest rate<br>swaps not designated as hedges                                      | 193,881                              | -                              | -   | 193,881               |
| Reclassification of accumulated<br>losses on interest rate swaps   | (534,363)                            | -                              | -   | (534,363)             |
| <b>Other income, net</b>   | <b>83,897,571</b>                    | <b>5,357,758</b>               | <b>(185,854)</b>                                  | <b>89,069,475</b>     |
| <b>Revenues in Excess of Expenses</b>  | <b>125,139,182</b>                   | <b>1,932,703</b>               | <b>-</b>  | <b>127,071,885</b>    |
| <b>Net equity transfers</b>  | <b>-</b>                             | <b>-</b>                       | <b>-</b>  | <b>-</b>              |
| Investment by noncontrolling interests, and<br>distributions of earnings to noncontrolling<br>interests, net | (5,654,163)                          | -                              | -   | (5,654,163)           |
| Reclassification of accumulated losses<br>on interest rate swap  | 534,363                              | -                              | -   | 534,363               |
| Grants and contributions for capital purposes  | 4,046,938                            | -                              | -   | 4,046,938             |
| Net assets released from restrictions<br>for purchases of property and equipment                             | 3,981,343                            | 876,000                        | -   | 4,857,343             |
| Other changes in unrestricted net assets   | 279,025                              | (25,392)                       | -   | 253,633               |
| <b>Increase in Unrestricted Net Assets</b>   | <b>\$ 128,326,688</b>                | <b>\$ 2,783,311</b>            | <b>\$ -</b>                                       | <b>\$ 131,109,999</b> |

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

|  | <b>Avera<br/>Obligated<br/>Group</b> | <b>Non-Obligated<br/>Group</b> | <b>Eliminations<br/>and<br/>Reclassifications</b> | <b>Consolidated</b>   |
|--|--------------------------------------|--------------------------------|---|-----------------------|
| <b>Unrestricted Revenues, Gains, and Other Support</b>   |                                      |                                |   |                       |
| Net patient and resident service revenue   | \$ 1,229,716.944                     | \$ 74,820.747                  | \$ (29,528.543)                                   | \$ 1,275,009.148      |
| Provision for bad debts  | (35,546.854)                         | (1,276.876)                    | -   | (36,823.730)          |
| Net patient service revenue.   |                                      |                                |   |                       |
| less provision for bad debt  | 1,194,170.090                        | 73,543.871                     | (29,528.543)                                      | 1,238,185.418         |
| Premium revenue  | -                                    | 82,888.236                     | -   | 82,888.236            |
| Other revenue  | 92,085.374                           | 6,473.805                      | (14,996.023)                                      | 83,563.156            |
| Total revenues, gains, and other support   | <u>1,286,255.464</u>                 | <u>162,905.912</u>             | <u>(44,524.566)</u>                               | <u>1,404,636.810</u>  |
| <b>Expenses</b>  |                                      |                                |   |                       |
| Salaries, wages and benefits   | 744,391.339                          | 47,776.333                     | (4,717.189)                                       | 787,450.483           |
| Supplies   | 205,618.157                          | 8,825.862                      | -   | 214,444.019           |
| Other  | 212,934.473                          | 21,200.747                     | (10,278.834)                                      | 223,856.386           |
| Claims expense   | -                                    | 76,863.303                     | (29,528.543)                                      | 47,334.760            |
| Interest   | 12,331.441                           | 744.251                        | -   | 13,075.692            |
| Depreciation and amortization  | 69,112.159                           | 4,766.116                      | -   | 73,878.275            |
| Total expenses   | <u>1,244,387.569</u>                 | <u>160,176.612</u>             | <u>(44,524.566)</u>                               | <u>1,360,039.615</u>  |
| <b>Operating Income</b>  | <u>41,867.895</u>                    | <u>2,729.300</u>               | <u>-</u>  | <u>44,597.195</u>     |
| <b>Other Income (Losses)</b>   |                                      |                                |   |                       |
| Investment income - realized   | 23,432.315                           | 1,621.039                      | -   | 25,053.354            |
| Investment income - unrealized   | 24,511.567                           | 1,511.578                      | -   | 26,023.145            |
| Other nonoperating, net  | 13,393.198                           | 448.766                        | -   | 13,841.964            |
| Change in fair value of interest rate swaps not designated as hedges                                   | 5,888.245                            | -                              | -   | 5,888.245             |
| Reclassification of accumulated losses on interest rate swaps  | (534.363)                            | -                              | -   | (534.363)             |
| Loss on extinguishment of debt   | -                                    | (403.567)                      | -   | (403.567)             |
| Gain on acquisitions   | 29,092.796                           | -                              | -   | 29,092.796            |
| Other income, net  | <u>95,783.758</u>                    | <u>3,177.816</u>               | <u>-</u>  | <u>98,961.574</u>     |
| <b>Revenues in Excess of Expenses</b>  | <u>137,651.653</u>                   | <u>5,907.116</u>               | <u>-</u>  | <u>143,558.769</u>    |
| Net equity transfers   | (1,337.100)                          | 1,337.100                      | -   | -                     |
| Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net | (5,114.834)                          | -                              | -   | (5,114.834)           |
| Reclassification of accumulated losses on interest rate swap   | 534.363                              | -                              | -   | 534.363               |
| Grants and contributions for capital purposes  | 1,580.048                            | 351.450                        | -   | 1,931.498             |
| Net assets released from restrictions for purchases of property and equipment                          | 1,421.355                            | -                              | -   | 1,421.355             |
| Other changes in unrestricted net assets   | 609.531                              | (1,355)                        | -   | 608.176               |
| Increase in Unrestricted Net Assets  | <u>\$ 135,345.016</u>                | <u>\$ 7,594.311</u>            | <u>\$ -</u>                                       | <u>\$ 142,939.327</u> |