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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

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

▶ Information about Form 990 and its instructions is at www.IRS.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

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

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

C Name of organization
SACRED HEART HEALTH SERVICES

Doing Business As
AVERA SACRED HEART HOSPITAL

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

City or town, state or province, country, and ZIP or foreign postal code
YANKTON, SD 57078

D Employer identification number
46-0225483

E Telephone number
(605) 668-8000

G Gross receipts $ 118,513,012

F Name and address of principal officer
DOUGLAS R EKEREN
501 SUMMIT STREET
YANKTON, SD 57078

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

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

H(c) Group exemption number ▶ 0928

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

J Website: ▶ WWW AVERASACREDHEART COM

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

L Year of formation 1911

M State of legal domicile SD

Part I Summary

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

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

Activities & Governance

3	Number of voting members of the governing body (Part VI, line 1a)	**3**	15
4	Number of independent voting members of the governing body (Part VI, line 1b)	**4**	8
5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	**5**	1,268
6	Total number of volunteers (estimate if necessary)	**6**	355
7a	Total unrelated business revenue from Part VIII, column (C), line 12	**7a**	16,916
b	Net unrelated business taxable income from Form 990-T, line 34	**7b**	0

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	2,019,750	667,563
9	Program service revenue (Part VIII, line 2g)	102,558,568	109,377,521
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	6,570,874	8,040,496
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-412,272	-790,951
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	110,736,920	117,294,629
13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	147,429	195,581
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)	55,059,477	54,376,511
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	19,195
b	Total fundraising expenses (Part IX, column (D), line 25) ▶159,655		
17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	46,722,976	52,034,393
18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	101,929,882	106,625,680
19	Revenue less expenses Subtract line 18 from line 12	8,807,038	10,668,949

Revenue

Expenses

		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	256,656,790	287,231,478
21	Total liabilities (Part X, line 26)	38,162,313	44,761,449
22	Net assets or fund balances Subtract line 21 from line 20	218,494,477	242,470,029

Net Assets or Fund Balances

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

****** | 2015-05-13
Signature of officer | Date

DOUGLAS R EKEREN PRESIDENT & CEO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
KIM HUNWARDSEN CPA		2015-05-13		P00484560

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

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

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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response 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

4a (Code) (Expenses $ 86,845,134 including grants of $ 195,581) (Revenue $ 109,377,521)

AVERA SACRED HEART HOSPITAL (SACRED HEART HEALTH SERVICES) LEADS DELIVERY OF HEALTHCARE TO ITS REGION THROUGH OVER 1,000 EMPLOYEES (AS WELL AS 58 PHYSICIANS ON ITS ACTIVE MEDICAL STAFF) WHO COORDINATE CARE TO DELIVER PATIENT CARE AS AN INTEGRATED UNIT AVERA SACRED HEART AND ITS AFFILIATES (REFERRED TO COLLECTIVELY AS SACRED HEART HEALTH SERVICES) ALSO WORK SEAMLESSLY TO MEET THE NEEDS OF THE COMMUNITIES THEY SERVE IN SOUTHEAST SOUTH DAKOTA AND NORTHEAST NEBRASKA IN ADDITION TO THE 144 BED HOSPITAL, AVERA SACRED HEART INCLUDES TWO NURSING HOMES AND A CONGREGATE HOUSING FACILITY, A 23-BED CRITICAL ACCESS HOSPITAL, LONG-TERM CARE FACILITY, AND 2 CLINICS IN CREIGHTON, NE IT ALSO MANAGES THREE HOSPITALS AND TWO NURSING HOMES AVERA SACRED HEART OPERATES UNDER THE TENETS OF THE ROMAN CATHOLIC CHURCH AND IN ACCORDANCE WITH THE PHILOSOPHY AND VALUES ESTABLISHED FOR AVERA HEALTH, A SPONSORED HEALTH MINISTRY OF THE BENEDICTINE AND PRESENTATION SISTERS AVERA SACRED HEART ENGAGES IN ACTIVITIES DESIGNED TO IMPROVE THE HEALTH OF THE INDIVIDUALS AND COMMUNITIES THAT IT SERVES IN RESPONSE TO A CALLING TO HEAL THE SICK, THE ELDERLY AND THE OPPRESSED REQUIREMENTS OF THE IRS COMMUNITY BENEFIT STANDARD FOR TAX-EXEMPT ORGANIZATIONS ARE INTEGRAL TO AVERA SACRED HEART HOSPITAL'S LARGER CHARITABLE MISSION OF IMPROVING HEALTH AND QUALITY OF LIFE SPECIFICALLY, AVERA SACRED HEART IS GOVERNED BY AN INDEPENDENT BOARD INCLUDING COMMUNITY LEADERS, BUSINESS AND CLINICAL HEALTHCARE EXPERTS THE BOARD HAS A HISTORY OF COMMITMENT TO ACT WITH THE HIGHEST INTEGRITY AND HAS BEEN PROACTIVELY EVALUATING OPPORTUNITIES TO VOLUNTARILY ADOPT GOVERNANCE BEST PRACTICES FOR THE BENEFIT OF THE COMMUNITY * SACRED HEART HEALTH SERVICES MAKES MEDICAL CARE ACCESSIBLE TO THE COMMUNITIES IT SERVES REGARDLESS OF ABILITY TO PAY, OF WHICH THERE WERE 13,398 HOSPITAL PATIENT DAYS AND 82,855 NURSING HOME RESIDENT DAYS IN FISCAL YEAR 2014 AVERA SACRED HEART HOSPITAL WAS NAMED BY HEALTHGRADES AS ONE OF THE TOP 2% HOSPITALS IN THE NATION FOR PROVIDING AN OUTSTANDING PATIENT EXPERIENCE, SEVEN YEARS IN A ROW, AND PATIENT SAFETY EXCELLENCE THE HOSPITAL RECEIVED A THREE-YEAR ACCREDITATION FROM THE JOINT COMMISSION WITH "TOP PERFORMER FOR KEY QUALITY MEASURES "THE AVERA SACRED HEART HOSPITAL DIALYSIS UNIT WAS RECOGNIZED AS A 5-DIAMOND PATIENT SAFETY FACILITY AVERA SISTER JAMES CARE CENTER AND AVERA YANKTON CARE CENTER WERE RECOGNIZED AS FIVE-YEAR RECIPIENTS OF THE EXCELLENCE IN ACTION AWARD BY MY INNERVIEW AVERA CANCER INSTITUTE YANKTON ALSO RECEIVED A FULL FROM THE AMERICAN COLLEGE OF SURGEONS WITH A COMMENDATION SILVER LEVEL AWARD (5 COMMENDATIONS OUT OF A POSSIBLE 7) SACRED HEART HEALTH SERVICES OPERATES 2 FULL-TIME EMERGENCY DEPARTMENTS, ONE IN YANKTON AND ONE IN CREIGHTON, NEBRASKA, WHICH PROVIDE EMERGENCY CARE REGARDLESS OF ABILITY TO PAY IN FISCAL YEAR 2014, THERE WERE 10,262 VISITS AVERA SACRED HEART PROVIDES CLINICAL SERVICES NEEDED TO OPERATE THE EMERGENCY CENTER AND PROVIDES ON-SITE EMERGENCY MEDICAL, RESCUE AND MEDICAL TRANSPORTATION SERVICES IN ADDITION, AVERA SACRED HEART, THROUGH ITS INTEGRATED NETWORK OF PROVIDERS, PROVIDES NON-EMERGENCY SERVICES TO THE COMMUNITY IT SERVES IT MAKES THESE SERVICES ACCESSIBLE TO THE COMMUNITY THROUGH PARTICIPATION IN GOVERNMENT PROGRAMS LIKE MEDICARE AND MEDICAID, REGARDLESS OF ABILITY TO PAY AVERA'S CHARITY CARE POLICY PROVIDES DISCOUNTED AND FREE SERVICES TO PATIENTS WHO LACK THE RESOURCES TO BE FULLY RESPONSIBLE FOR THE HEALTH CARE THEY RECEIVE THE CHARITY CARE POLICY IS DESIGNED TO ENSURE THE COMMUNITIES SERVED BY AVERA FACILITIES HAVE ACCESS TO NEEDED HEALTHCARE SERVICES THE AVERA SACRED HEART BOARD OF DIRECTORS OVERSEES SERVICES DELIVERED UNDER THE CHARITY CARE POLICY INCLUDING ASSESSING COMMUNITY NEEDS, APPROVING ELIGIBILITY CRITERIA AND MONITORING THE EFFECTIVENESS OF THE PROGRAM IN PROVIDING COMMUNITY ACCESS TO MEDICAL CARE ELIGIBILITY FOR DISCOUNTED OR FREE SERVICES UNDER THE CHARITY CARE POLICY IS BASED ON INCOME AND ASSET LEVELS AND FAMILY SIZE APPLICATIONS FOR COVERAGE UNDER THE PROGRAM MAY BE OBTAINED AT ANY AVERA SACRED HEART PATIENT REGISTRATION AREA OR BY CALLING THE AVERA SACRED HEART OR AVERA CREIGHTON BUSINESS OFFICE SACRED HEART HEALTH SERVICES MAINTAINS RECORDS TO IDENTIFY AND MONITOR THE LEVEL OF CARE PROVIDED UNDER THE CHARITY CARE POLICY SACRED HEART HEALTH SERVICES HAD CHARGES FORGONE FOR CHARITY FOR THE YEAR ENDED JUNE 30, 2014 OF APPROXIMATELY $2,353,000 SACRED HEART HEALTH SERVICES TAKES ITS MISSION TO IMPROVE THE HEALTH AND QUALITY OF LIFE OF THE PEOPLE IT SERVES A STEP FURTHER BY REACHING OUT TO MEET THE BROAD HEALTH NEEDS OF THE COMMUNITY IT STRIVES TO IDENTIFY COMMUNITY NEEDS BEYOND BASIC HEALTH CARE, RESPOND TO THEM, AIMING TO MAKE A POSITIVE, LIFE-ENHANCING DIFFERENCE IN THE COMMUNITY SACRED HEART HEALTH SERVICES TAKES A STRATEGIC, COMMUNITY NEEDS-BASED APPROACH TO DELIVERING BENEFITS TO THE COMMUNITY AVERA SACRED HEART HOSPITAL DEMONSTRATES ITS COMMITMENT TO PROVIDING COMMUNITY BENEFIT THROUGH SPECIFIC ACCOMPLISHMENTS E-TECHNOLOGY AVERA SACRED HEART STARTED WITH ITS EICU PROGRAM SIX YEARS AGO EICU IS A TELEMEDICINE-BASED SYSTEM THAT AIDS IN THE CARE OF ICU PATIENTS AT AVERA SACRED HEART AND ACROSS THE AVERA SYSTEM PATIENTS RECEIVE CONSTANT, AROUND-THE-CLOCK MONITORING AND INTERVENTIONS FROM A REMOTE CARE TEAM IN ADDITION TO THE CARE THEY RECEIVE FROM THEIR BEDSIDE TEAM IN ADDITION, AVERA SACRED HEART HOSPITAL, ALONG WITH ST MICHAEL'S HOSPITAL/AVERA AND WAGNER COMMUNITY MEMORIAL HOSPITAL/AVERA, HAS LAUNCHED AN ESTROKE PROGRAM THAT WILL ENABLE PATIENTS SUFFERING STROKES TO BE MORE QUICKLY DIAGNOSED AND TREATED THROUGH THE USE OF TELEMEDICINE AVERA HAS ALSO IMPLEMENTED AN E-PHARMACY PROGRAM WHERE FACILITIES WITHOUT 24 HOUR A DAY PHARMACIST COVERAGE CAN ACCESS PHARMACIST SERVICES REMOTELY TEACHING HOSPITAL AVERA SACRED HEART IS A TEACHING HOSPITAL, WHICH REFLECTS A STRONG COMMITMENT TO EDUCATION, RESEARCH AND A HIGH LEVEL OF CARE IN THE SUMMER OF 2007, THE HOSPITAL OPENED THE NEW AVERA PROFESSIONAL OFFICE PAVILION & EDUCATION CENTER TO ENHANCE THEIR COMMITMENT TO MEDICAL EDUCATION THE AVERA PAVILION IS THE NEW HOME OF THE UNIQUE YANKTON AMBULATORY PROGRAM FOR THE THIRD-YEAR MEDICAL STUDENTS OF THE SANFORD SCHOOL OF MEDICINE OF THE UNIVERSITY OF SOUTH DAKOTA THE PROGRAM CHALLENGES MEDICAL STUDENTS TO SOLVE CLINICAL PROBLEMS AND EXPERIENCE THE DOCTOR-PATIENT RELATIONSHIP THROUGH THE YEAR YANKTON IS ONLY ONE OF THREE COMMUNITIES IN THE STATE WHERE A CAMPUS IS PROVIDED FOR THE SANFORD SCHOOL OF MEDICINE THE OFFICE FOR THE DEAN OF THE YANKTON AMBULATORY PROGRAM OF THE AVERA SACRED HEART YANKTON CAMPUS IS NOW LOCATED ON THE FIRST FLOOR OF THE PAVILION STUDY SPACE FOR THE MEDICAL STUDENTS IS ADJACENT TO THE ASHH MEDICAL LIBRARY A UNIQUE COMPONENT TO THE PAVILION IS THE EXPANSION AND ENHANCEMENT OF EDUCATIONAL FACILITIES ALONG WITH A 116-SEAT AUDITORIUM, THERE ARE ALSO THREE CONFERENCE ROOMS, ALL EQUIPPED WITH THE LATEST IN AUDIOVISUAL TECHNOLOGY (CONTINUED ON PAGE 8 OF SCHEDULE O)

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

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

4d Other program services (Describe in Schedule O)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ 86,845,134

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9	Yes	
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	Yes	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b	Yes	
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	Yes	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Parts I and IV*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If "Yes," complete Schedule F, Parts II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If "Yes," complete Schedule F, Parts III and IV*	16		No
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I (see instructions)*	17	Yes	
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18	Yes	
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	Yes	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	Yes	

Part IV Checklist of Required Schedules *(continued)*

21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? *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	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	**25a**		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	**25b**		No
26	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)			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28a**		No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	**28b**	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	**28c**		No
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	**29**	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	**30**		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	**31**		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	**32**		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	**33**		No
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	**34**	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	**35a**	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	**35b**	Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	**36**		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	**37**		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	**38**	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable . .	1a	175		
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	1,268		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? **Note.** If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b		Yes	
3a	Did the organization have unrelated business gross income of $1,000 or more during the year? . . .	3a		Yes	
b	If "Yes," has it filed a Form 990-T for this year? *If "No" to line 3b, provide an explanation in Schedule O* . . .	3b		Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a			No
b	If "Yes," enter the name of the foreign country ▶ _____ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . .	5a			No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b			No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c			
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions? . . .	6a			No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b			
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?	7a		Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		Yes	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c			No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e			No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . .	7f			No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h			
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?	9a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b			
10	**Section 501(c)(7) organizations.** Enter				
a	Initiation fees and capital contributions included on Part VIII, line 12 . . .	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** See the instructions for additional information the organization must report on Schedule O	13a			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a			No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O* . .	14b			

Part VI **Governance, Management, and Disclosure** *For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

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

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	**1a**	15		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O				
b	Enter the number of voting members included in line 1a, above, who are independent	**1b**	8		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?			**2** Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? .			**3**	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?			**4**	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets? .			**5**	No
6	Did the organization have members or stockholders?			**6** Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?			**7a** Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?			**7b** Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?			**8a** Yes	
b	Each committee with authority to act on behalf of the governing body?			**8b** Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*			**9**	No

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

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

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶

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

☐ Own website ☐ Another's website ☑ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization

▶JAMIE A SCHAEFER 501 SUMMIT
YANKTON,SD 57078 (605)668-8776

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

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

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

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

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

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

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ROB STEPHENSON CHAIR	2 00 0 00	X		X				0	0	0
(2) MICHAEL PIETILA VICE CHAIR	2 00 0 00	X		X				0	0	0
(3) RYAN LOECKER BOARD MEMBER	2 00 0 00	X						0	0	0
(4) SR JEANNE ANNETTE WEBER BOARD MEMBER	2 00 0 00	X						0	0	0
(5) SR ROSEMARY WEBER BOARD MEMBER	2 00 0 00	X						0	0	0
(6) BRAD DYKES BOARD MEMBER	2 00 0 00	X						0	0	0
(7) JOHN PORTER BOARD MEMBER	2 00 0 00	X						0	1,334,108	34,581
(8) MARTY JANS BOARD MEMBER	2 00 0 00	X						0	0	0
(9) SR LUCILLE WELBIG BOARD MEMBER	2 00 5 00	X						0	0	0
(10) SR LYNN MARIE WELBIG BOARD MEMBER	2 00 0 00	X						0	0	0
(11) WAYNE A KINDLE BOARD MEMBER	2 00 0 00	X						0	0	0
(12) RUSS DEIDRICHSEN BOARD MEMBER	2 00 0 00	X						0	0	0
(13) DAN SPECHT BOARD MEMBER	2 00 0 00	X						0	0	0
(14) MICHAEL PETERSON MD BOARD MEMBER & PHYSICIAN	40 00 0 00	X						566,417	0	33,174
(15) PAMELA J REZAC PRESIDENT & CEO	60 00 2 50	X		X				0	471,589	34,081
(16) JAMIE A SCHAEFER SEC/TREAS & VP FINANCE	52 00 1 00			X				195,431	0	29,593
(17) DOUGLAS EKEREN VP NETWORK SERVICES	52 00 2 50				X			216,878	0	30,770

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

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) GREGORY TAYLOR MD	40 00					X		539,482	0	35,614
DIAGNOSTIC RADIOLOGY	0 00									
(19) STEVE GUTNIK MD FACP	40 00					X		727,538	0	34,611
GASTROENTEROLOGY	0 00									
(20) MATTHEW G WINKELBAUER MD	40 00					X		505,370	0	13,944
FAMILY MEDICINE	0 00									
(21) TERENCE PEDERSEN DPM	40 00					X		334,797	0	33,442
PODIATRIC SURGERY	0 00									
(22) RALPH TULLO MD	40 00					X		463,698	0	30,314
PHYSICIAN	0 00									
(23) BARBARA LARSON	0 00						X	179,094	0	27,105
FORMER KEY EMPLOYEE-VP PATIENT CARE	52 00									

1b	**Sub-Total**			
c	**Total from continuation sheets to Part VII, Section A**			
d	**Total (add lines 1b and 1c)**	3,728,705	1,805,697	337,229

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 ▶ 48

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

Section B. Independent Contractors

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

(A) Name and business address	(B) Description of services	(C) Compensation
YANKTON ANESTHESIOLOGY PC 1000 W 4TH ST SUITE 13 YANKTON SD 57078	ANESTHESIOLOGISTS	1,587,914
AEGIS THERAPIES INC 7160 DALLAS PARKWAY PLANO TX 75024	REHAB & THERAPY SERVICES	1,376,499
YANKTON MEDICAL CLINIC PC PO BOX 706 YANKTON SD 57078	PHYSICIAN SERVICES	1,045,019
BOELTER CONTRACT AND DESIGN LLC N22 W23685 RIDGEVIEW PKWY WEST WAUKESHA WI 53188	FOODSERVICE, HOSPITALITY	650,266
PHYSICIANS LABORATORY LTD 1301 S CLIFF AVE STE 700 SIOUX FALLS SD 57105	LAB SERVICES	232,093

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 ▶ 10

Part VIII Statement of Revenue

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

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . .	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c	78,584			
	d	Related organizations . . .	1d				
	e	Government grants (contributions)	1e	166,964			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	422,015			
	g	Noncash contributions included in lines 1a-1f $		64,807			
	h	**Total.** Add lines 1a-1f . . . . . ▶		667,563			
Program Service Revenue			Business Code				
	2a	NET PATIENT SERVICE REVENUE	622110	105,442,003	105,442,003		
	b	OTHER REVENUE	900099	1,941,758	1,941,758		
	c	NONMEDICAL OUTREACH	900099	1,108,326	1,108,326		
	d	EHR REVENUE	900099	1,032,957	1,032,957		
	e	INCOME FROM AFFILIATES	900099	14,202	-2,714	16,916	
	f	All other program service revenue		-161,725	-161,725		
	g	**Total.** Add lines 2a–2f . . . . . ▶		109,377,521			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . . ▶		1,712,532			1,712,532
	4	Income from investment of tax-exempt bond proceeds . . ▶					
	5	Royalties . . . . . ▶					
			(i) Real / (ii) Personal				
	6a	Gross rents	266,767				
	b	Less rental expenses	1,195,567				
	c	Rental income or (loss)	-928,800				
	d	Net rental income or (loss) . . . . . ▶		-928,800			-928,800
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	6,327,495 / 469				
	b	Less cost or other basis and sales expenses	0 / 0				
	c	Gain or (loss)	6,327,495 / 469				
	d	Net gain or (loss) . . . . . ▶		6,327,964			6,327,964
	8a	Gross income from fundraising events (not including $ 78,584 of contributions reported on line 1c) See Part IV, line 18 . . a	75,020				
	b	Less direct expenses . . . b	22,816				
	c	Net income or (loss) from fundraising events . . ▶		52,204			52,204
	9a	Gross income from gaming activities See Part IV, line 19 . . . a					
	b	Less direct expenses . . . b					
	c	Net income or (loss) from gaming activities . . ▶					
	10a	Gross sales of inventory, less returns and allowances . a					
	b	Less cost of goods sold . . b					
	c	Net income or (loss) from sales of inventory . . ▶					
		Miscellaneous Revenue	Business Code				
	11a	OPERATING INTEREST	900099	85,645			85,645
	b						
	c						
	d	All other revenue					
	e	**Total.** Add lines 11a–11d . . . . . ▶		85,645			
	12	**Total revenue.** See Instructions . . . . . ▶		117,294,629	109,360,605	16,916	7,249,545

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	175,581	175,581		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	20,000	20,000		
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,095,708	611,997	483,711	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	109,006	109,006		
7 Other salaries and wages	42,740,820	37,878,258	4,765,952	96,610
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	1,244,141	1,061,726	179,577	2,838
9 Other employee benefits	6,367,267	5,615,887	731,238	20,142
10 Payroll taxes	2,819,569	2,458,224	354,937	6,408
11 Fees for services (non-employees)				
a Management				
b Legal	70,712		70,712	
c Accounting	7,505		7,505	
d Lobbying				
e Professional fundraising services See Part IV, line 17	19,195			19,195
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)	14,957,349	6,059,036	8,895,245	3,068
12 Advertising and promotion	407,327	90,120	316,268	939
13 Office expenses	6,031,516	5,171,004	856,178	4,334
14 Information technology	380,011	132,119	247,892	
15 Royalties . .				
16 Occupancy	2,101,580	2,101,566	14	
17 Travel	365,425	275,445	88,979	1,001
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	531,648	158,898	370,922	1,828
20 Interest	609,101	609,101		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	7,339,508	7,339,508		
23 Insurance	907,620	907,620		
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	11,260,046	11,260,046		
b BAD DEBT EXPENSE	3,898,107	3,898,107		
c EQUIPMENT LEASE AND REN	520,701	379,347	141,354	
d LICENSES AND PERMITS	110,687	96,870	13,817	
e All other expenses	2,535,550	435,668	2,096,590	3,292
25 **Total functional expenses.** Add lines 1 through 24e	106,625,680	86,845,134	19,620,891	159,655
26 **Joint costs.** Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

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

				(A) Beginning of year		(B) End of year
Assets	1	Cash–non-interest-bearing			1	
	2	Savings and temporary cash investments		4,870,900	2	6,344,415
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		15,048,834	4	16,104,452
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L		35,416	5	10,416
	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		2,258,638	7	8,000,000
	8	Inventories for sale or use		2,019,902	8	1,976,313
	9	Prepaid expenses and deferred charges		1,382,969	9	2,173,199
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 156,548,759			
	b	Less accumulated depreciation	10b 90,306,285	65,146,451	10c	66,242,474
	11	Investments—publicly traded securities		6,688,499	11	7,047,745
	12	Investments—other securities See Part IV, line 11		156,793,713	12	177,315,904
	13	Investments—program-related See Part IV, line 11		1,258,681	13	840,348
	14	Intangible assets		637,051	14	632,156
	15	Other assets See Part IV, line 11		515,736	15	544,056
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		256,656,790	16	287,231,478
Liabilities	17	Accounts payable and accrued expenses		10,769,301	17	10,556,444
	18	Grants payable			18	
	19	Deferred revenue		490,836	19	597,330
	20	Tax-exempt bond liabilities		25,217,086	20	32,243,561
	21	Escrow or custodial account liability Complete Part IV of Schedule D		18,259	21	21,309
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		1,666,831	25	1,342,805
	26	**Total liabilities.** Add lines 17 through 25		38,162,313	26	44,761,449
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		204,444,147	27	226,856,166
	28	Temporarily restricted net assets		13,592,414	28	15,104,257
	29	Permanently restricted net assets		457,916	29	509,606
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		218,494,477	33	242,470,029
	34	Total liabilities and net assets/fund balances		256,656,790	34	287,231,478

Part XI Reconcilliation 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	117,294,629
2	Total expenses (must equal Part IX, column (A), line 25)	2	106,625,680
3	Revenue less expenses Subtract line 2 from line 1	3	10,668,949
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	218,494,477
5	Net unrealized gains (losses) on investments	5	13,333,770
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	-27,167
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	242,470,029

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

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support** (Add lines 7 through 10)						

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

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

Section C. Computation of Public Support Percentage

14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f)) **14**

15 Public support percentage for 2012 Schedule A, Part II, line 14 **15**

16a **33 1/3% support test—2013.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support test—2012.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2013.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2012.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization ▶☐

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

Part 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						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12)						

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

Section C. Computation of Public Support Percentage

15	Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16	Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2013** (line 10c, column (f) divided by line 13, column (f))	17	
18	Investment income percentage from **2012** Schedule A, Part III, line 17	18	

19a **33 1/3% support tests—2013.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2012.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

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

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

Facts And Circumstances Test		
Return Reference	Explanation	

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SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

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

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

OMB No 1545-0047

2013

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

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

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

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

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

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

Name of the organization	Employer identification number
SACRED HEART HEALTH SERVICES	46-0225483

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

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

2 Political expenditures ▶ $ _____

3 Volunteer hours _____

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

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

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

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

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
c	Media advertisements?		No	
d	Mailings to members, legislators, or the public?		No	
e	Publications, or published or broadcast statements?		No	
f	Grants to other organizations for lobbying purposes?		No	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
i	Other activities?	Yes		12,861
j	Total Add lines 1c through 1i			12,861
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

Part IV Supplemental Information

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 SACRED HEART HEALTH SERVICES PAID DUES TO HEALTH ORGANIZATIONS THAT HAVE A PORTION OF THE DUES ATTRIBUTED TO LOBBYING ACTIVITIES THE AMOUNT ATTRIBUTED TO LOBBYING ACTIVITIES WAS $12,861

Part IV Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions. ▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance	839,365	793,011	801,064	716,457	676,350
b	Contributions	51,690	6,400	5,310	1,120	540
c	Net investment earnings, gains, and losses	133,464	58,742	-480	87,570	41,680
d	Grants or scholarships					
e	Other expenditures for facilities and programs	10,830	18,788	12,883	4,083	2,113
f	Administrative expenses					
g	End of year balance	1,013,689	839,365	793,011	801,064	716,457

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 ▶ 50 000 %
- c Temporarily restricted endowment ▶ 50 000 %

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

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

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

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

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		3,538,850		3,538,850
b Buildings		102,570,248	57,126,771	45,443,477
c Leasehold improvements				
d Equipment		43,554,329	29,517,669	14,036,660
e Other		6,885,332	3,661,845	3,223,487
Total. Add lines 1a through 1e *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				66,242,474

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 (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other (A) ASSETS LIMITED TO USE - AVERA POOLED INVESTMENTS	176,307,352	F
(B) INVESTMENT IN AFFILIATED ORGANIZATION	1,008,552	F
Total. *(Column (b) must equal Form 990, Part X, col (B) line 12)* ▶	177,315,904	

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 Cost or end-of-year market value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 13)* ▶		

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

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	846,217
MARKET VALUE OF INTEREST RATE SWAP	496,588
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25)* ▶	1,342,805

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	125,950,229
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a	13,333,770		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII)	2d	-2,721,161		
e	Add lines **2a** through **2d**			2e	10,612,609
3	Subtract line **2e** from line **1**			3	115,337,620
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII)	4b	1,957,009		
c	Add lines **4a** and **4b**			4c	1,957,009
5	Total revenue Add lines **3** and **4c.** (This must equal Form 990, Part I, line 12)			5	117,294,629

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	103,749,656
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	1,022,083		
e	Add lines **2a** through **2d**			2e	1,022,083
3	Subtract line **2e** from line **1**			3	102,727,573
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	3,898,107		
c	Add lines **4a** and **4b**			4c	3,898,107
5	Total expenses Add lines **3** and **4c.** (This must equal Form 990, Part I, line 18)			5	106,625,680

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	RESIDENT TRUST FUNDS ARE HELD ON BEHALF OF THE RESIDENTS
PART V, LINE 4	THE ORGANIZATION'S ENDOWMENT CONSISTS OF VARIOUS INDIVIDUAL FUNDS ESTABLISHED FOR A VARIETY OF PURPOSES ITS ENDOWMENT REPRESENTS DONOR-RESTRICTED ENDOWMENT FUNDS AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, NET ASSETS ASSOCIATED WITH ENDOWMENT FUNDS ARE CLASSIFIED AND REPORTED BASED ON THE EXISTENCE OR ABSENCE OF DONOR-IMPOSED RESTRICTIONS
PART X, LINE 2	THE ORGANIZATION IS ORGANIZED AS A SOUTH DAKOTA NONPROFIT CORPORATION AND HAS BEEN RECOGNIZED BY THE INTERNAL REVENUE SERVICE (IRS) AS EXEMPT FROM FEDERAL INCOME TAXES UNDER INTERNAL REVENUE CODE SECTION 501(C)(3) CERTAIN CONSOLIDATED SUBSIDIARIES, INCLUDING VALLEY HEALTH SERVICES, ARE NOT TAX-EXEMPT ENTITIES AND ARE CONSIDERED PARTNERSHIPS OR DISREGARDED ENTITIES FOR TAX PURPOSES THE ORGANIZATION IS ANNUALLY REQUIRED TO FILE A RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX (FORM 990) WITH THE IRS IN ADDITION, THE ORGANIZATION IS SUBJECT TO INCOME TAX ON NET INCOME THAT IS DERIVED FROM BUSINESS ACTIVITIES THAT ARE UNRELATED TO ITS EXEMPT PURPOSE THE ORGANIZATION FILES AN EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN (FORM 990T) WITH THE IRS TO REPORT ITS UNRELATED BUSINESS TAXABLE INCOME THE ORGANIZATION BELIEVES THAT IT HAS APPROPRIATE SUPPORT FOR ANY TAX POSITIONS TAKEN AFFECTING ITS ANNUAL FILING REQUIREMENTS, AND AS SUCH, DOES NOT HAVE ANY UNCERTAIN TAX POSITIONS THAT ARE MATERIAL TO THE CONSOLIDATED FINANCIAL STATEMENTS THE ORGANIZATION WOULD RECOGNIZE FUTURE ACCRUED INTEREST AND PENALTIES RELATED TO UNRECOGNIZED TAX BENEFITS AND LIABILITIES IN INCOME TAX EXPENSE IF SUCH INTEREST AND PENALTIES ARE INCURRED THE ORGANIZATION'S FEDERAL FORM 990T FILINGS ARE NO LONGER SUBJECT TO FEDERAL TAX EXAMINATIONS BY TAX AUTHORITIES FOR YEARS BEFORE 2011
PART XI, LINE 2D - OTHER ADJUSTMENTS	ACCUMULATED LOSS INTEREST SWAP -22,247 LOSS ON REFINANCING -9,757 BAD DEBT EXPENSE REPORTED IN INCOME FOR FINANCIAL STATEMENT -3,898,107 RELATED ORGANIZATIONS' REVENUE INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS 1,208,950
PART XI, LINE 4B - OTHER ADJUSTMENTS	CONTRIBUTIONS REPORTED IN FUND BALANCE ON FINANCIAL STATEMENTS 323,798 INVESTMENT INCOME REPORTED IN FUND BALANCE ON FINANCIAL STATEMENTS 1,633,211
PART XII, LINE 2D - OTHER ADJUSTMENTS	RELATED ORGANIZATIONS' EXPENSES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENT 1,022,083
PART XII, LINE 4B - OTHER ADJUSTMENTS	BAD DEBT EXPENSE REPORTED IN INCOME FOR FINANCIAL STATEMENT 3,898,107

Part XIII Supplemental Information *(continued)*

Return Reference	Explanation

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SCHEDULE G (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than $15,000 on Form 990-EZ, line 6a.

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

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I **Fundraising Activities.** Complete if the organization answered "Yes" to Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities Check all that apply

- **a** ☑ Mail solicitations
- **b** ☑ Internet and email solicitations
- **c** ☑ Phone solicitations
- **d** ☑ In-person solicitations
- **e** ☐ Solicitation of non-government grants
- **f** ☐ Solicitation of government grants
- **g** ☑ Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☑ **Yes** ☐ **No**

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least $5,000 by the organization

	(i) Name and address of individual or entity (fundraiser)	**(ii)** Activity	**(iii)** Did fundraiser have custody or control of contributions? Yes	**(iii)** No	**(iv)** Gross receipts from activity	**(v)** Amount paid to (or retained by) fundraiser listed in col **(i)**	**(vi)** Amount paid to (or retained by) organization
1	PAUL J STRAWHECKER INC 4913 DODGE STREET OMAHA, NE 68132	FUNDRAISING CONSULTING		No	0	19,195	-19,195
2							
3							
4							
5							
6							
7							
8							
9							
10							
Total . . . . . ▶						19,195	-19,195

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing

SD

Part II **Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than $15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than $5,000.

		(a) Event #1 SIMPLY D'VINE (event type)	(b) Event #2 ROSES JUST BECAUSE (event type)	(c) Other events (total number)	(d) Total events (add col (a) through col (c))
Revenue	1 Gross receipts	119,025	34,579		153,604
	2 Less Contributions	78,584			78,584
	3 Gross income (line 1 minus line 2)	40,441	34,579		75,020
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages	689			689
	8 Entertainment	700			700
	9 Other direct expenses	9,827	11,600		21,427
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(22,816)
	11 Net income summary Subtract line 10 from line 3, column (d) ▶				52,204

Part III **Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than $15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	☐ Yes % ☐ No	☐ Yes % ☐ No	☐ Yes % ☐ No	
	7 Direct expense summary Add lines 2 through 5 in column (d) ▶				
	8 Net gaming income summary Subtract line 7 from line 1, column (d) ▶				

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain _____

11

Does the organization operate gaming activities with nonmembers? . . . . . ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? . . . . . ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a	The organization's facility	13a	%
b	An outside facility	13b	%

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ ----------

Address ▶ ----------

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ $ _____ and the amount of gaming revenue retained by the third party ▶ $ _____

c If "Yes," enter name and address of the third party

Name ▶ ----------

Address ▶ ----------

16 Gaming manager information

Name ▶ ----------

Gaming manager compensation ▶ $ ----------

Description of services provided ▶ ----------

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ $

Part IV Supplemental Information. Provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Return Reference	Explanation
SCHEDULE G, PART I, LINE 2B, COLUMN (V)	PAYMENTS TO FUNDRAISER FOR CONSULTING SERVICES TO ASSIST IN FUNDRAISING FOR THE NEW HOSPICE UNIT

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SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)		1,386	909,643		909,643	0 890 %
b Medicaid (from Worksheet 3, column a)		4,222	16,280,916	10,693,662	5,587,254	5 440 %
c Costs of other means-tested government programs (from Worksheet 3, column b)		1,578	5,980,414	3,695,405	2,285,009	2 220 %
d **Total** Financial Assistance and Means-Tested Government Programs		7,186	23,170,973	14,389,067	8,781,906	8 550 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)	9	1,217	690,130	95,246	594,884	0 580 %
f Health professions education (from Worksheet 5)	3		244,257	17,951	226,306	0 220 %
g Subsidized health services (from Worksheet 6)	6	2,143	3,057,205	1,713,519	1,343,686	1 310 %
h Research (from Worksheet 7)	1	108	108,252		108,252	0 110 %
i Cash and in-kind contributions for community benefit (from Worksheet 8)	4		476,950		476,950	0 460 %
j **Total.** Other Benefits	23	3,468	4,576,794	1,826,716	2,750,078	2 680 %
k **Total.** Add lines 7d and 7j	23	10,654	27,747,767	16,215,783	11,531,984	11 230 %

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

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development	1		60,000		60,000	0 060 %
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	**Total**	1		60,000		60,000	0 060 %

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No 15?		1	Yes	
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	3,898,107		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	0		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	26,393,378		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	27,652,762		
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-1,259,384		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used				

☐ Cost accounting system ☐ Cost to charge ratio ☑ Other

Section C. Collection Practices

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

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

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year? 2

	Name, address, primary website address, and state license number	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group AVERA SACRED HEART HOSPITAL

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A) 1

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

Part V Facility Information *(continued)*

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

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

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

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

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

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

Name of hospital facility or facility reporting group AVERA CREIGHTON HOSPITAL

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) 2

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

Part V Facility Information *(continued)*

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

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

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

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

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	

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? 6

	Name and address	Type of Facility (describe)
1	AVERA YANKTON CARE CENTER 1212 W 8TH STREET YANKTON,SD 57078	SKILLED NURSING FACILITY
2	AVERA SISTER JAMES CARE CENTER 2111 W 11TH STREET YANKTON,SD 57078	SKILLED NURSING FACILITY
3	AVERA SACRED HEART MAJESTIC BLUFFS 2111 W 11TH STREET YANKTON,SD 57078	ASSISTED LIVING
4	AVERA SACRED HEART HOSPITAL-SWING BED 501 SUMMIT STREET YANKTON,SD 57078	SWING BED
5	AVERA CREIGHTON CARE CENTRE 1603 MAIN STREET CREIGHTON,NE 687292999	LONG TERM CARE
6	AVERA SACRED HEART HOSPITAL-DIALYSIS 501 SUMMIT STREET YANKTON,SD 57078	DIALYSIS UNIT
7		
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 CHNAs reported in Part V, Section B

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

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	OUR COMMUNITY BENEFIT REPORT IS CONTAINED IN A REPORT PREPARED BY AVERA HEALTH, A RELATED ORGANIZATION IT IS AVAILABLE THROUGH THE WEBSITE AND REQUESTED MAILING, AND IS FILED WITH THE CATHOLIC HEALTH ASSOCIATION

Form and Line Reference	Explanation
PART I, LINE 7	CHARITY CARE, UNREIMBURSED MEDICAID, AND OTHER MEANS-TESTED GOVERNMENT PROGRAMS WERE CONVERTED TO COST USING THE COST-TO-CHARGE RATIO BASED ON THE MEDICARE COST REPORT FROM THE PRIOR YEAR UNREIMBURSED MEDICAID USES A COST-TO-CHARGE RATIO THAT INCLUDES OTHER ACTIVITIES BEYOND HOSPITAL INPATIENT THE AMOUNTS ON LINES 7E-I REPRESENT EXPENSES REPORTED IN THE GENERAL LEDGER AND COMPILED USING CBISA SOFTWARE

Form and Line Reference	Explanation
PART I, LN 7 COL(F)	BAD DEBT EXPENSE OF $3,898,107 IS INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A) BUT EXCLUDED FOR PURPOSES OF CALCULATING THIS PERCENTAGE

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	THE PARTICIPATION IN THE YANKTON AREA PROGRESSIVE GROWTH YES CAMPAIGN STRENGTHENS THE COMMUNITY'S CAPACITY TO PROMOTE HEALTH AND WELL-BEING OF ITS RESIDENTS BY OFFERING THE RESOURCES AND EXPERTISE OF THE HOSPITAL

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 IS REPORTED AT CHARGES AS RECORDED BY THE ORGANIZATION

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

Form and Line Reference	Explanation
PART III, LINE 4	NOTE 1 ON PAGE 8 OF THE FINANCIAL STATEMENTS DESCRIBES BAD DEBT EXPENSE

Form and Line Reference	Explanation
PART III, LINE 8	PART III, LINES 5, 6, AND 7 THE MEDICARE REVENUES RECEIVED (LINE 5), ALLOWABLE COSTS (LINE 6), AND THE RESULTING SHORTFALL (LINE 7) DOES NOT INCLUDE A SIGNIFICANT PORTION OF THE ORGANIZATION'S EXPENSES THESE LINES REQUIRE USE OF THE MEDICARE COST REPORT AS PREPARED BY THE REQUIRED GUIDELINES WHICH DISALLOWS NUMEROUS COSTS OF HOSPITALS, PARTICULARLY IF THEY ARE PART OF AN INTEGRATED SYSTEM SUCH AS SACRED HEART HEALTH SERVICES IN THESE CASES THE ENTITY MUST FILE A HOME OFFICE COST REPORT WHICH "STEPS DOWN" OVERHEAD TO NON-COST REPORT ENTITIES DISPROPORTIONATELY TO ACTUAL ALLOWABLE SHARE AND ESSENTIALLY REMOVING THE COSTS FROM THE HOSPITAL'S COST REPORT ENTIRELY EXAMPLES OF NON-COST REPORT ENTITIES OPERATED BY SACRED HEART HEALTH SERVICES INCLUDE CLINICS, A HOME MEDICAL EQUIPMENT STORE, LONG-TERM CARE FACILITIES, AND OTHER HEALTH CARE RELATED BUSINESSES THERE ARE ALSO COSTS COMPLETELY DISALLOWED BY COST REPORT RULES SUCH AS BAD DEBT EXPENSE, MARKETING, CRNA'S, AND INTEREST EXPENSE IN ADDITION TO THESE DISALLOWED COSTS WITHIN THE HOSPITAL, SACRED HEART HEALTH SERVICES OPERATES CLINICS, A HOME MEDICAL EQUIPMENT STORE, LONG-TERM CARE FACILITIES, AND OTHER HEALTH CARE RELATED BUSINESSES WHICH DO NOT FILE A COST REPORT 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 SACRED HEART HEALTH SERVICES FOLLOWS THE CHA GUIDELINES IN REPORTING COMMUNITY BENEFITS AND THEREFORE ANY MEDICARE SHORTFALL IS EXCLUDED FROM OUR COMMUNITY BENEFIT REPORT HOWEVER, MEDICARE IS THE ORGANIZATION'S LARGEST PAYER AND PATIENTS WITH MEDICARE COVERAGE ARE ACCEPTED REGARDLESS OF WHETHER OR NOT A SURPLUS OR DEFICIT IS REALIZED FROM PROVIDING THE SERVICES THIS BASIS THEREFORE MEANS PROVIDING MEDICARE SERVICES PROMOTES ACCESS TO HEALTHCARE SERVICES WHICH IS A KEY ADVANTAGE FOR OUR COMMUNITY

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 SACRED HEART HEALTH SERVICES DOES NOT REPORT ANY DATA TO ANY OF THE CREDIT AGENCIES, HOWEVER, THE COLLECTION AGENCIES SACRED HEART HEALTH SERVICES 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 SACRED HEART HOSPITAL INCLUDES COMMUNITY MEMBERS ON COMMITTEES, BOARDS AND ADVISORY GROUPS TO ALLOW COMMUNITY REACTION AND INPUT IN THE ACTIONS WE TAKE WE ALSO REVIEW ALL DATA PROVIDED BY THE HEALTH DEPARTMENTS REGARDING DISEASE RATES, MORTALITY, MORBIDITY, POPULATION CHANGES, ETC THE HOSPITAL ALSO CONDUCTS FOCUS GROUPS, CONSUMER PERCEPTION STUDIES, AND PATIENT SATISFACTION SURVEYS TO IDENTIFY PRIMARY NEEDS OF THE COMMUNITY AND RESPONDS WITH PREVENTATIVE/EDUCATIONAL INFORMATION OR ACTIVITIES FOR THE COMMUNITY

Form and Line Reference	Explanation
PART VI, LINE 3	THE BROCHURE "UNDERSTANDING YOUR HEALTH CARE BILLS" IS PROVIDED IN VISIBLE LOCATIONS EXPERIENCING HIGH VOLUMES OF INPATIENT OR OUTPATIENT REGISTRATIONS SUCH AS THE ADMITTING OFFICE, THE BILLING/BUSINESS OFFICE, AND EMERGENCY DEPARTMENT AS WELL AS THE ORGANIZATION WEBSITE PATIENTS ARE ALSO MADE AWARE OF POSSIBLE ELIGIBILITY WHEN GIVEN THE "PATIENT RIGHTS AND RESPONSIBILITIES" BROCHURE UPON ADMISSION THE PATIENT ADVOCATE WORKS WITH UNINSURED/UNDERINSURED PATIENTS TO ENROLL THEM IN APPLICABLE SOCIAL SERVICE PROGRAMS AND/OR IDENTIFY CHARITY, COUNTY OR RISK POOL ELIGIBILITY

Form and Line Reference	Explanation
PART VI, LINE 4	AVERA SACRED HEART HOSPITAL PRIMARILY SERVES THE CITY AND COUNTY OF YANKTON, SD AND THE SURROUNDING SOUTH DAKOTA COUNTIES OF BON HOMME, CHARLES MIX, CLAY AND HUTCHINSON, AND CEDAR COUNTY AND KNOX IN NEBRASKA U S CENSUS STATISTICS INDICATE THAT 15 4% OF THE CITY OF YANKTON'S INDIVIDUAL RESIDENTS FALL BELOW THE FEDERAL POVERTY GUIDELINES FOR FISCAL YEAR 2014, 46 5% OF OUR REVENUE CAME FROM MEDICARE AND MEDICARE ADVANTAGE PLANS, AND 12 3% CAME FROM MEDICAID AND MEDICAID REPLACEMENT PLANS

Form and Line Reference	Explanation
PART VI, LINE 5	THE HOSPITAL BOARD IS COMPRISED OF INDIVIDUALS WHO REPRESENT THE INTERESTS OF THE COMMUNITY SERVED BY THE ORGANIZATION THE HOSPITAL OFFERS STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY SELECTED SERVICES SUCH AS RADIATION ONCOLOGY AND SWINGBED SERVICES WOULD NOT BE AVAILABLE IN OUR SERVICE AREA UNLESS PROVIDED BY THE ORGANIZATION THE HOSPITAL SERVES ALL INDIVIDUALS REGARDLESS OF THEIR ABILITY TO PAY, PROVIDING 24 HOUR A DAY EMERGENCY SERVICES THE FACILITY PARTICIPATES IN THE EDUCATION OF MEDICAL STUDENTS FROM THE UNIVERSITY OF SOUTH DAKOTA THROUGH THEIR YANKTON LOCATION THE HOSPITAL ALSO OFFERS A 2 -YEAR RADIATION TECHNOLOGIST PROGRAM THAT GRADUATES APPROXIMATELY 6 STUDENTS PER YEAR SACRED HEART HOSPITAL ALSO PROVIDES CLINICAL EDUCATION FOR MOUNT MARTY COLLEGE STUDENTS THE HOSPITAL IS ALSO PROUD OF THE FACT THAT 355 INDIVIDUALS CHOSE TO VOLUNTEER AT THE FACILITY DURING FISCAL YEAR 2014

Form and Line Reference	Explanation
PART VI, LINE 6	AVERA IS A SPONSORED MINISTRY OF THE BENEDICTINE AND PRESENTATION SISTERS THE COMMUNITIES IN WHICH AVERA HEALTH OPERATES ALL HAVE UNIQUE HEALTH AND COMMUNITY BENEFITS NEEDS IN KEEPING WITH CATHOLIC HEALTH ASSOCIATION GUIDELINES, EACH HOSPITAL STRIVES TO MEET ITS COMMUNITY'S IDENTIFIED NEEDS THE CORPORATE STAFF OF AVERA HEALTH ADVOCATES FOR ALL MEMBERS REGARDING COMMUNITY BENEFIT RELATED MATTERS OF STATE, REGIONAL AND NATIONAL IMPORTANCE

Additional Data

Software ID:
Software Version:
EIN: 46-0225483
Name: SACRED HEART HEALTH SERVICES

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 SACRED HEART HOSPITAL	
AVERA CREIGHTON HOSPITAL	PART V, SECTION B, LINE 3 AVERA CREIGHTON HOSPITAL USED INTERVIEWS, SURVEYS, AND FOCUS GR OUPS ENSURING THEY REACHED INDIVIDUALS WITH SPECIFIC KNOWLEDGE REGARDING INSURANCE ISSUES, HEALTH REFORM, MEDICAL SPECIALISTS, RURAL HEALTH ISSUES, POPULATION ISOLATION, JOB LOSS, WATER ISSUES, SKIN CANCER, AFFORDABLE HOUSING, AND ELDERLY SPECIFIC TARGETED PARTICIPANTS INCLUDED REPRESENTATIVES OF NORTH CENTRAL DISTRICT HEALTH DEPARTMENT, NORTH CENTRAL COMMU NITY CARE PARTNERSHIP, REGION 4 BEHAVIORAL HEALTH SYSTEM, AND HEARTLAND COUNSELING
AVERA CREIGHTON HOSPITAL	PART V, SECTION B, LINE 4 AVERA CREIGHTON HOSPITAL PARTNERED WITH THE TEN OTHER HOSPITALS IN THE NORTH CENTRAL DISTRICT HEALTH DEPARTMENT INCLUDING ANTELOPE MEMORIAL HOSPITAL, AVE RA ST ANTHONY'S HOSPITAL, OSMOND GENERAL HOSPITAL, PLAINVIEW COMMUNITY HOSPITAL, TILDEN C OMMUNITY HOSPITAL, NIOBRARA VALLEY HOSPITAL, WEST HOLT MEMORIAL HOSPITAL, BROWN COUNTY HOS PITAL, CHERRY COUNTY HOSPITAL, AND ROCK COUNTY HOSPITAL IN CONDUCTING THE COMMUNITY HEALTH NEEDS ASSESSMENT
AVERA SACRED HEART HOSPITAL	PART V, SECTION B, LINE 6I THE IMPLEMENTATION STRATEGY IS AVAILABLE AT THE FOLLOWING WEBS ITE HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/
AVERA CREIGHTON HOSPITAL	PART V, SECTION B, LINE 6I THE IMPLEMENTATION STRATEGY IS AVAILABLE AT THE FOLLOWING WEBS ITE HTTP //WWW AVERA ORG/EXPERIENCE/SHARED/COMMUNITY-NEEDS-HEALTH-ASSESSMENTS/
AVERA SACRED HEART HOSPITAL	PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS PROVIDED ON T HE BILLING INVOICES, IN THE EMERGENCY ROOM, WAITING ROOMS, IN THE ADMISSIONS OFFICE, AND T O PATIENTS UPON ADMISSION
AVERA CREIGHTON HOSPITAL	PART V, SECTION B, LINE 14G A SUMMARY OF THE FINANCIAL ASSISTANCE POLICY IS PROVIDED ON T HE BILLING INVOICES, IN THE EMERGENCY ROOM, WAITING ROOMS, IN THE ADMISSIONS OFFICE, AND T O PATIENTS UPON ADMISSION
AVERA SACRED HEART HOSPITAL	PART V, SECTION B, LINE 22 INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE ARE NOT CHARGED GROSS CHARGES FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE, HOWEVER MAY BE CHARGED GROS S CHARGES FOR ELECTIVE CARE
AVERA CREIGHTON HOSPITAL	PART V, SECTION B, LINE 22 INDIVIDUALS ELIGIBLE FOR FINANCIAL ASSISTANCE ARE NOT CHARGED GROSS CHARGES FOR EMERGENCY OR OTHER MEDICALLY NECESSARY CARE, HOWEVER MAY BE CHARGED GROS S CHARGES FOR ELECTIVE CARE

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Schedule I (Form 990)

Department of the Treasury
Internal Revenue Service

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

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

▶ **Attach to Form 990**

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I General Information on Grants and Assistance

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

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

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

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

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) YANKTON YES CAMPAIGN YAPG 803 EAST 4TH STREET YANKTON,SD 57078	46-0348636	501(C)(3)	60,000				ECONOMIC DEVELOPMENT
(2) AVERA ST ANTHONY HOSPITAL 300 N 2ND ST ONEILL,NE 68763	47-0463911	501(C)(3)	20,000				BUILDING PROJECT
(3) UNIVERSITY OF SOUTH DAKOTA PO BOX 5555 VERMILLION,SD 57069	46-6000364	STATE OF SD	50,000				OUTCOMES RESEARCH
(4) UNITED WAY OF YANKTON 610 W 23RD YANKTON,SD 57078	46-0252854	501(C)(3)	12,000				COMMUNITY SUPPORT
(5) REGIONAL TECHNICAL EDUCATION CTR 1200 WEST 21ST STREET YANKTON,SD 57078	34-2014700	501(C)(3)	10,001				PROGRAM SUPPORT
(6) AVERA ST MICHAEL'S HOSPITAL 410 WEST 16TH AVENUE TYNDALL,SD 57066	46-0225414	501(C)(3)	10,000				BUILDING PROJECT

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . ▶ 6

3 Enter total number of other organizations listed in the line 1 table . . . . ▶ 0

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) EDUCATIONAL SCHOLARSHIPS	4	20,000			

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 ONLY MAKES GRANTS TO OTHER ORGANIZATIONS WHICH ARE ALSO TAX-EXEMPT INDIVIDUAL SCHOLARSHIP RECIPIENTS ARE SELECTED BY THE UNIVERSITY SCHOOL OF MEDICINE ACCORDING TO ITS CRITERIA IN FISCAL YEAR 2014, 4 MEDICAL SCHOOL STUDENTS WERE CHOSEN FOR $5,000 SCHOLARSHIPS

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Schedule J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 23.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule J (Form 990) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I Questions Regarding Compensation

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

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

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

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

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

Part III Supplemental Information

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'S COMPENSATION IS PAID BY A RELATED ORGANIZATION, AVERA HEALTH AVERA SACRED HEART RELIED ON THE RELATED ORGANIZATION FOR DETERMINING THE COMPENSATION FOR THE PRESIDENT & CEO USING THE METHODS DESCRIBED IN PART I, LINE 3

Additional Data

Software ID:
Software Version:
EIN: 46-0225483
Name: SACRED HEART HEALTH SERVICES

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

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JOHN PORTER	(I)	0	0	0	0	0	0	0
BOARD MEMBER	(II)	1,038,280	0	295,828	13,475	23,654	1,371,237	0
MICHAEL PETERSON	(I)	563,792	0	2,625	12,512	20,662	599,591	0
MD BOARD MEMBER & PHYSICIAN	(II)	0	0	0	0	0	0	0
PAMELA J REZAC	(I)	0	0	0	0	0	0	0
PRESIDENT & CEO	(II)	378,174	0	93,415	13,475	21,434	506,498	0
JAMIE A SCHAEFER	(I)	195,082	0	349	9,931	19,662	225,024	0
SEC/TREAS & VP FINANCE	(II)	0	0	0	0	0	0	0
DOUGLAS EKEREN VP	(I)	215,879	0	999	11,108	19,662	247,648	0
NETWORK SERVICES	(II)	0	0	0	0	0	0	0
GREGORY TAYLOR MD	(I)	535,091	0	4,391	12,876	22,738	575,096	0
DIAGNOSTIC RADIOLOGY	(II)	0	0	0	0	0	0	0
STEVE GUTNIK MD	(I)	718,019	0	9,519	12,449	22,162	762,149	0
FACP GASTROENTEROLOGY	(II)	0	0	0	0	0	0	0
MATTHEW G	(I)	504,397	0	973	12,738	1,206	519,314	0
WINKELBAUER MD FAMILY MEDICINE	(II)	0	0	0	0	0	0	0
TERENCE PEDERSEN	(I)	312,133	21,765	899	12,780	20,662	368,239	0
DPM PODIATRIC SURGERY	(II)	0	0	0	0	0	0	0
RALPH TULLO MD	(I)	459,307	0	4,391	12,938	17,377	494,013	0
PHYSICIAN	(II)	0	0	0	0	0	0	0
BARBARA LARSON	(I)	171,992	0	7,102	8,499	18,606	206,199	0
FORMER KEY EMPLOYEE-VP PATIENT CARE	(II)	0	0	0	0	0	0	0

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Schedule L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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

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

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

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

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

Part II Loans to and/or From Interested Persons.

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization? To	From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	No	(h) Approved by board or committee? Yes	No	(i) Written agreement? Yes	No
(1) GREGORY TAYLOR	EMPLOYEE	PHYSICIAN COMMUNITY NEEDS		X	100,000	10,416		No		No	Yes	
Total		▶ $				10,416						

Part III Grants or Assistance Benefitting Interested Persons.

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

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

Part IV Business Transactions Involving Interested Persons.

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) JANET JANS	SPOUSE OF BOARD MEMBER	62,547	EMPLOYEE COMPENSATION		No
(2) ALLISON DIEDRICHSEN	SPOUSE OF BOARD MEMBER	29,492	EMPLOYEE COMPENSATION		No
(3) YANKTON MEDICAL CLINIC	PARTNER OF YANKTON MEDICAL CLINIC IS BOARD MEMBER OF ORGANIZATION	1,308,796	PROFESSIONAL SERVICES		No
(4) MARY LOECKER	PARENT OF BOARD MEMBER	16,967	EMPLOYEE COMPENSATION		No

Part V Supplemental Information

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

Return Reference	Explanation

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SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.
▶Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods	X		51,000	FMV
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory	X	33	13,807	FMV
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (_____)				
26 Other ▶ (_____)				
27 Other ▶ (_____)				
28 Other ▶ (_____)				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . | 29 | 0

		Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?		No
b	If "Yes," describe the arrangement in Part II		
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	Yes	
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?		No
b	If "Yes," describe in Part II		
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II		

Part II **Supplemental Information.** Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Return Reference	Explanation

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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.
▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2	JOHN PORTER, SR LUCILLE WELBIG AND PAMELA J REZAC HAVE A BUSINESS RELATIONSHIP

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

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

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 IS REVIEWED INITIALLY BY THE CEO AND CFO THE RETURN IS MADE AVAILABLE TO THE BOARD OF DIRECTORS FOR REVIEW PRIOR TO FILING

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

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 15B	THE CEO IS COMPENSATED BY AVERA HEALTH SYSTEM ANNUALLY THE COMPENSATION COMMITTEE OF AVERA HEALTH, WHICH IS COMPRISED OF SIX (6) SYSTEM MEMBERS APPOINTED BY THE RELIGIOUS ORDERS, MEETS WITH AN INDEPENDENT CONSULTANT REGARDING FAIR MARKET VALUE 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 OTHER OFFICERS, DIRECTORS, AND KEY EMPLOYEES IS REVIEWED ANNUALLY THE ORGANIZATION UTILIZES THE RESOURCES OF AN OUTSIDE INDEPENDENT AGENCY FOR MARKET COMPARABILITY THE COMPENSATION IS APPROVED WITHIN THE ANNUAL BUDGET APPROVED BY THE BOARD

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

Return Reference	Explanation
FORM 990, PART IX, LINE 11G	REPAIRS AND MAINTENANCE PROGRAM SERVICE EXPENSES 1,658,558 MANAGEMENT AND GENERAL EXPENSES 314,649 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,973,207 CONSULTING PROGRAM SERVICE EXPENSES 776,696 MANAGEMENT AND GENERAL EXPENSES 44,467 FUNDRAISING EXPENSES 3,068 TOTAL EXPENSES 824,231 PROFESSIONAL MEDICAL SERVICES PROGRAM SERVICE EXPENSES 3,623,782 MANAGEMENT AND GENERAL EXPENSES 3,234,768 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 6,858,550 ACS FEES PROGRAM SERVICE EXPENSES 0 MANAGEMENT AND GENERAL EXPENSES 5,301,361 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 5,301,361

Return Reference	Explanation
FORM 990, PART XI, LINE 9	CAPITAL TRANSFERS, NET 295,082 NET ASSETS RELEASED FROM DONOR RESTRICTION -312,493 CHANGE IN FAIR VALUE OF INTEREST RATE SWAP -9,756

Return Reference	Explanation
FORM 990, PART XII, LINE 2C	THE AUDIT COMMITTEE OF AVERA HEALTH, PARENT ORGANIZATION, SELECTS THE AUDITOR AND REVIEWS THE AUDITED FINANCIAL STATEMENTS FOR SACRED HEART HEALTH SERVICES

Return Reference	Explanation
PART III, LINE 4A	(CONTINUED FROM PAGE 4 OF SCHEDULE O) RESIDENCY/HEALTH PROFESSIONS TRAINING AT ANY ONE TIME, 10 TO 15 SANFORD SCHOOL OF MEDICINE OF THE UNIVERSITY OF SOUTH DAKOTA MEDICAL STUDENTS ARE IN TRAINING AT AVERA SACRED HEART HOSPITAL IN ADDITION, STUDENTS IN NURSING, PHARMACY, PHYSICIAN ASSISTANT PROGRAMS, RADIOLOGY AND RESPIRATORY THERAPY ALSO AFFILIATE HERE AVERA SACRED HEART ALSO HAS A RADIOLOGY TECHNOLOGIST SCHOOL, WHICH GRADUATES 6 TO 8 NEW RADIOLOGY TECHNOLOGISTS EACH YEAR PREVENTIVE CARE A PRIORITY AVERA SACRED HEART HAS TAKEN STEPS TO ENHANCE PREVENTIVE CARE FOR PEOPLE OF ALL AGES THROUGH THE MANY EDUCATIONAL PROGRAMS, HEALTH SCREENINGS AND FAIRS THAT ARE HELD THROUGHOUT THE YEAR AVERA SACRED HEART HOLDS SCREENINGS THROUGHOUT THE REGION AT THEIR RURAL HEALTH CLINICS AS WELL AS IN YANKTON THE HOSPITAL IS NOW CONNECTED TO THE ASK-A-NURSE PROGRAM THAT PROVIDES GENERAL INFORMATION CONCERNING HEALTH-RELATED TOPICS OUR WEB SITE INCORPORATES THE "ADAM" SOFTWARE THAT PROVIDES A UNIQUE LEVEL OF HEALTH-RELATED INFORMATION TO THE CONSUMER IN 2009, AVERA SACRED HEART HOSPITAL INTRODUCED PLANET HEART (IN CONJUNCTION WITH THE AVERA HEART HOSPITAL) AND AN IN-HOUSE CARDIOVASCULAR SCREENING PACKAGE TO KEEP THE PEOPLE WE SERVED BETTER INFORMED ABOUT THEIR HEALTH BASED ON COMMUNITY NEEDS, WE ARE CONTINUALLY STRIVING TO PROVIDE MORE PREVENTATIVE TOOLS AND RISK ASSESSMENTS TO OUR POPULATION COMMUNITY EDUCATION AVERA SACRED HEART REACHES OUT TO PEOPLE AND COMMUNITIES THROUGHOUT SOUTHEASTERN SOUTH DAKOTA AND NORTHEASTERN NEBRASKA IN A VARIETY OF WAYS FOR THE PAST FIVE YEARS, AVERA SACRED HEART HAS PARTNERED WITH HYVEE FOODS OF YANKTON AND THE YANKTON PUBLIC SCHOOL SYSTEM TO PROMOTE BETTER EATING HABITS FOR STUDENTS AND CENTERED ON THE "MY PLATE" CONCEPT COMMUNITY FLU SHOT CLINICS ARE GENERALLY HELD THROUGHOUT THE REGION THROUGH WELL COORDINATED EFFORTS STATEWIDE WITH OTHER HOSPITALS AND STATE ENTITIES, AVERA SACRED HEART WAS ABLE TO EFFECTIVELY DISTRIBUTE THE VACCINE DOSES IT RECEIVED IN A TIMELY AND EFFICIENT MANNER WE ARE PROUD OF OUR CONTINUING 'TO BE WELL' HEALTH CARE EDUCATIONAL SERIES THAT PROVIDES EDUCATION TO THE COMMUNITY ON A VARIETY OF DISEASES AND CHRONIC CONDITIONS EDUCATIONAL SESSIONS ARE OFFERED TO MEDICAL STAFF, STUDENTS, EMPLOYEES, HEALTH CARE PROFESSIONALS, STUDENTS OF ALL LEVELS AND THE GENERAL PUBLIC UTILIZING THE AVERA PROFESSIONAL OFFICE PAVILION AND EDUCATION CENTER, HUNDREDS OF CLASSES INVOLVING THOUSANDS OF PEOPLE ARE PROVIDED AS A COMMUNITY SERVICE EACH YEAR OTHER EXAMPLES OF COMMUNITY EDUCATION INCLUDE OUR STUDENT/YOUTH MENTORING PROGRAMS AND PARISH NURSING PARTNERSHIPS WITH SCHOOLS, CHURCHES, BUSINESSES AND OTHER ORGANIZATIONS MAKE MANY OF THESE PROGRAMS POSSIBLE AS AN INTEGRATED ORGANIZATION, AVERA AND AVERA SACRED HEART ARE LEADERS IN THE IMPLEMENTATION OF THE ELECTRONIC PATIENT RECORD (EMR) IN FISCAL YEAR 2013, SEVERAL NEW CLINICS WERE ADDED TO THE ASHH ELECTRONIC MEDICAL RECORD SYSTEM AS THE NATION MOVES TOWARD MORE INTEGRATED MEDICINE COMMITMENT TO QUALITY AVERA SACRED HEART IS ACCREDITED BY THE JOINT COMMISSION AND JUST RECEIVED ANOTHER THREE-YEAR ACCREDITATION IN 2011

Return Reference	Explanation
FORM 990, PART VI, LINE 16	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, PART X, LINE 20	THE ISSUE PRICE INCLUDES THE FILING ORGANIZATION'S SHARE OF THE ENTIRE BOND ISSUE, WHICH WAS ISSUED TO AVERA HEALTH ON BEHALF OF THE AVERA OBLIGATED GROUP THE AVERA OBLIGATED GROUP CONSISTS OF AVERA HEALTH, AVERA MCKENNAN, AVERA ST LUKE'S, AVERA QUEEN OF PEACE, AVERA MARSHALL, AVERA ST MARY'S, AND SACRED HEART HEALTH SERVICES IN ACCORDANCE WITH IRS INSTRUCTIONS, INFORMATION RELATED TO THE TAX EXEMPT BOND REPORTING IS BEING REPORTED ON AVERA HEALTH'S TAX RETURN (EIN 46-0422673)

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SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
SACRED HEART HEALTH SERVICES

Employer identification number
46-0225483

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

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

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

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

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity? Yes	(i) No
(1) VALLEY HEALTH SERVICES INC 501 SUMMIT STREET YANKTON, SD 57078 46-0357149	RENTAL REAL ESTATE	SD	SACRED HEART HEALTH SERVICES	C	66,121	1,539,094	100 000 %		No
(2) ACCOUNTS MANAGEMENT INC 5132 S CLIFF AVE SUITE 101 SIOUX FALLS, SD 57108 46-0373021	COLLECTION AGENCY	SD	N/A	C					No
(3) AVERA HEALTH PLANS INC 3900 WEST AVERA DRIVE SUITE 101 SIOUX FALLS, SD 57108 46-0451539	HEALTH FINANCING AND HEALTH PLAN ADMINISTRATION	SD	N/A	C					No
(4) AVERA PROPERTY INSURANCE INC 610 W 23RD ST STE 1 PO BOX 38 YANKTON, SD 57078 46-0463155	INSURANCE	SD	N/A	C					No

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

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

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

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY	L	101,820	RECORDED IN GENERAL LEDGER
(2) AVERA MCKENNAN	L	55,380	RECORDED IN GENERAL LEDGER
(3) AVERA MCKENNAN	M	957,426	RECORDED IN 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

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

Part VII Supplemental Information

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

Return Reference	Explanation

Additional Data

Software ID:
Software Version:
EIN: 46-0225483
Name: SACRED HEART HEALTH SERVICES

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) Section 512(b)(13) controlled entity? No
(1) AVERA HEALTH 3900 WEST AVERA DRIVE SUITE 300 SIOUX FALLS, SD 57108 46-0422673	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 9	N/A		No
(1) AVERA AT HOME 5116 S SOLBERG AVE SIOUX FALLS, SD 57108 46-0399291	HOME SERVICES	SD	501(C)(3)	LINE 9	AVERA HEALTH		No
(2) LEWIS AND CLARK HEALTH EDUCATION AND SERVICE AGENCY 1000 W 4TH STREET SUITE 9 YANKTON, SD 57078 46-0337013	HEALTHCARE EDUCATION	SD	501(C)(3)	LINE 9	SACRED HEART HEALTH SERVICES	Yes	
(3) AVERA ST ANTHONY'S HOSPITAL 300 N 2ND STREET ONEILL, NE 68763 47-0463911	HEALTHCARE SERVICES	NE	501(C)(3)	LINE 3	AVERA HEALTH		No
(4) AVERA HOLY FAMILY 826 NORTH 8TH STREET ESTHERVILLE, IA 51334 42-0680370	HEALTHCARE SERVICES	IA	501(C)(3)	LINE 3	AVERA HEALTH		No
(5) AVERA HOLY FAMILY FOUNDATION 826 NORTH 8TH STREET ESTHERVILLE, IA 51334 42-1317452	FUNDRAISING	IA	501(C)(3)	LINE 9	AVERA HOLY FAMILY		No
(6) AVERA MARSHALL 300 S BRUCE ST MARSHALL, MN 56258 41-0919153	HEALTHCARE SERVICES	MN	501(C)(3)	LINE 3	AVERA HEALTH		No
(7) AVERA MARSHALL FOUNDATION 300 S BRUCE ST MARSHALL, MN 56258 41-1784801	FUNDRAISING	MN	501(C)(3)	LINE 7	AVERA MARSHALL		No
(8) ST BENEDICT HEALTH CENTER 401 WEST GLYNN DRIVE PARKSTON, SD 57366 46-0226738	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
(9) ST BENEDICT HEALTH CENTER FOUNDATION WEST GLYNN DRIVE PO BOX B PARKSTON, SD 57366 46-0458725	SUPPORT HEALTH RELATED SERVICES	SD	501(C)(3)	LINE 11A, I	ST BENEDICT HEALTH CENTER		No
(10) AVERA MCKENNAN 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 46-0224743	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
(11) AVERA QUEEN OF PEACE HOSPITAL 525 N FOSTER STREET MITCHELL, SD 57301 46-0224604	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
(12) AVERA ST LUKE'S 305 SOUTH STATE STREET ABERDEEN, SD 57401 46-0224598	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No
(13) AVERA GETTYSBURG 606 EAST GARFIELD GETTYSBURG, SD 57442 46-0234354	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA ST MARY'S		No
(14) AVERA ST MARY'S 801 EAST SIOUX AVENUE PIERRE, SD 57501 46-0230199	HEALTHCARE SERVICES	SD	501(C)(3)	LINE 3	AVERA HEALTH		No

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal Domicile (State or Foreign Country)	(d) Direct Controlling Entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V-UBI amount in Box 20 of K-1 (Form 1065)	(j) General or Managing Partner?		(k) Percentage ownership
							Yes	No		Yes	No	
SURGICAL ASSOCIATES ENDOSCOPY CLINIC LLC 310 S PENNSYLVANIA ST ABERDEEN, SD 57401 46-0461429	SURGICAL ASSOCIATES	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT LLC 1325 S CLIFF AVE PO BOX 5045 SIOUX FALLS, SD 57117 46-0488198	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	AVERA MCKENNAN	RELATED	60,447	933,931		No			No	23 000 %
HOME MEDICAL EQUIPMENT OF PIERRE LLC 329 E DAKOTA PIERRE, SD 57501 46-0444002	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF FLOYD VALLEY HOSPITAL LLC 714 LINCOLN ST NE LEMARS, IA 51031 82-0582350	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF ESTHERVILLE LLC PO BOX 5045 SIOUX FALLS, SD 57117 20-1686097	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SIOUX CENTER LLC 38 19TH ST SW SIOUX CENTER, IA 51250 75-3203100	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF MARSHALL LLC 1104 EAST COLLEGE DRIVE MARSHALL, MN 56258 20-5271924	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
AVERA HOME MEDICAL EQUIPMENT OF SPENCER HOSPITAL LLC 2400 S MN AVE 102 SIOUX FALLS, SD 57117 80-0619999	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									
Q&M PROPERTIES 525 NORTH FOSTER MITCHELL, SD 57301 73-1652049	MEDICAL CLINIC BUILDING	SD	N/A									
HEART HOSPITAL OF SOUTH DAKOTA LLC 4500 W 69TH STREET SIOUX FALLS, SD 57108 56-2143771	HEALTHCARE SERVICES	SD	N/A									
BROOKINGS HEALTH SYSTEM - AVERA HME LLC 101 22ND AVE SUITE 101 BROOKINGS, SD 57006 45-3204123	MEDICAL SERVICES - HOME MEDICAL EQUIPMENT	SD	N/A									

Consolidated Financial Statements
June 30, 2014 and 2013

Sacred Heart Health Services
d/b/a Avera Sacred Heart Hospital

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Sacred Heart Health Services
d/b/a Avera Sacred Heart Hospital
Yankton, South Dakota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital and subsidiaries (Organization), 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 consolidated financial statements

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital and subsidiaries 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

Eide Bailly LLP

Fargo, North Dakota
October 6, 2014

4310 17th Ave S | P O Box 2545 | Fargo, ND 58108-2545 | T 701 239 8500 | F 701 239 8600 | EOE

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 6,622,675	$ 5,109,692
Assets limited as to use	187,884	174,773
Receivables		
Patients and residents, net	14,092,648	14,301,107
Other	1,897,496	732,520
Supplies	1,976,313	2,019,902
Prepaid expenses	786,701	1,095,594
Custodial funds due from related party	8,000,000	2,258,658
Total current assets	33,563,717	25,692,246
Assets Limited as to Use		
By Board for capital improvements and debt redemption	167,768,013	148,964,173
Under indenture agreements	235,462	204,341
Donor restricted and other assets of Foundation division	16,131,140	14,076,091
	184,134,615	163,244,605
Less portion in current assets	(187,884)	(174,773)
Noncurrent assets limited as to use	183,946,731	163,069,832
Property and Equipment, Net	67,098,695	66,018,580
Other Assets		
Other receivables	850,764	1,294,097
Other investments	1,879,891	1,649,015
Investment in affiliated organization	1,008,552	957,685
Goodwill	632,157	632,157
Prepaid expenses	1,389,510	295,617
Total other assets	5,760,874	4,828,571
Total assets	$ 290,370,017	$ 259,609,229

See Notes to Consolidated Financial Statements

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 843,505	$ 678,443
Accounts payable	4,361,432	5,530,052
Estimated third-party payor settlements	846,217	1,180,000
Accrued salaries, benefits, withholdings and other taxes	5,246,130	5,233,815
Accrued interest	58,931	53,460
Deferred revenue and other	1,630,098	583,345
Total current liabilities	12,986,313	13,259,115
Long Term Debt, Less Current Maturities	31,400,056	24,538,643
Derivative Liability	496,588	486,830
Total liabilities	44,882,957	38,284,588
Net Assets		
Unrestricted	229,873,197	207,274,311
Temporarily restricted	15,104,257	13,592,414
Permanently restricted	509,606	457,916
Total net assets	245,487,060	221,324,641
Total liabilities and net assets	$ 290,370,017	$ 259,609,229

Sacred Heart Health Services
Consolidated Statements of Operations
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Revenue, Gains, and Other Support		
Net patient and resident service revenue	$ 105,345,555	$ 100,065,492
Provision for bad debts	(3,898,107)	(3,178,759)
Net patient and resident service revenue less provision for bad debts	101,447,448	96,886,733
Other revenue	5,784,296	6,082,104
Total unrestricted revenue, gains, and other support	107,231,744	102,968,837
Expenses		
Salaries and wages	43,659,574	44,859,293
Employee benefits	10,634,418	10,703,600
Supplies and fees	23,796,653	22,152,249
Repairs and maintenance	2,056,046	2,028,650
Other expenses	12,525,101	10,328,105
Insurance	913,598	936,836
Utilities and telephone	2,190,317	1,923,004
Interest	609,101	322,099
Depreciation and amortization	7,364,848	6,866,935
Total expenses	103,749,656	100,120,771
Operating Income	3,482,088	2,848,066
Other Income (Losses)		
Investment income	19,911,003	11,782,133
Change in fair value of interest rate swap	(9,758)	234,867
Reclassification of accumulated losses on interest rate swap	(22,247)	(22,247)
Other nonoperating gains (losses), net	(161,254)	(160,556)
Rental loss, net	(999,259)	(681,013)
Other income (losses), net	18,718,485	11,153,184
Revenues in Excess of Expenses	22,200,573	14,001,250
Reclassification of Accumulated Losses on Interest Rate Swap	22,247	22,247
Net Assets Released From Restrictions for Capital Purposes	80,983	357,461
Equity Transfers	295,083	(2,585,975)
Increase in Unrestricted Net Assets	$ 22,598,886	$ 11,794,983

Sacred Heart Health Services
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Revenues in excess of expenses	$ 22,200,573	$ 14,001,250
Reclassification of accumulated losses on interest rate swap	22,247	22,247
Net assets released from restrictions for capital purposes	80,983	357,461
Equity transfers	295,083	(2,585,975)
Increase in unrestricted net assets	22,598,886	11,794,983
Temporarily Restricted Net Assets		
Contributions	272,108	295,840
Investment income	1,633,211	981,491
Net assets released from donor restrictions	(393,476)	(720,495)
Increase in temporarily restricted net assets	1,511,843	556,836
Permanently Restricted Net Assets		
Contributions	51,690	-
Increase in Net Assets	24,162,419	12,351,819
Net Assets, Beginning of Year	221,324,641	208,972,822
Net Assets, End of Year	$ 245,487,060	$ 221,324,641

	2014	2013
Operating Activities		
Change in net assets	$ 24,162,419	$ 12,351,819
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	7,935,614	7,254,030
Loss on disposal of equipment	176,050	50,466
Net realized and unrealized gains and losses on investments	(21,458,894)	(11,702,696)
Change in fair value of interest rate swap	9,758	(234,867)
Equity transfers	(295,083)	2,585,975
(Earnings) losses on equity method investments	(50,867)	77,058
Restricted contributions and realized investment earnings	(750,571)	(1,264,786)
Change in assets and liabilities		
Receivables	425,532	2,524,461
Supplies	43,589	353,563
Prepaid expenses	(786,894)	(529,121)
Accounts payable	215,105	(566,352)
Estimated third-party payors	(333,783)	(620,000)
Accrued expenses	17,786	(168,438)
Deferred revenue and other	108,037	92,443
Net Cash from Operating Activities	9,417,798	10,203,555
Investing Activities		
Purchases of property and equipment	(10,573,610)	(13,261,053)
Purchases of assets limited as to use and other investments	(5,771,654)	(13,877,073)
Proceeds from sales and maturities of assets limited as to use and other investments	6,109,662	13,664,810
Acquisition of healthcare organization	-	(72,728)
Net Cash used for Investing Activities	(10,235,602)	(13,546,044)
Financing Activities		
Principal payments on long-term debt	(678,443)	(570,859)
Proceeds from issuance of long-term debt	7,704,918	-
Equity transfers	295,083	(2,585,975)
Restricted contributions and realized investment earnings	750,571	1,264,786
(Increase) decrease in custodial funds held by related party	(5,741,342)	7,732,763
Net Cash from Financing Activities	2,330,787	5,840,715

	2014	2013
Net Increase in Cash and Cash Equivalents	$ 1,512,983	$ 2,498,226
Cash and Cash Equivalents, Beginning of Year	5,109,692	2,611,466
Cash and Cash Equivalents, End of Year	$ 6,622,675	$ 5,109,692
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of interest capitalized of $197,866 in 2014 and $468,850 in 2013	$ 603,630	$ 430,771
Business acquisitions		
Supplies	$ -	$ 20,308
Property and equipment	-	52,420
Net cash paid	$ -	$ 72,728
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable - construction in progress	$ 336,925	$ 1,720,650

Note 1 - Organization and Significant Accounting Policies

Organization

Sacred Heart Health Services (Organization), which operates as Avera Sacred Heart Hospital, is a voluntary not-for-profit Corporation that is licensed as a 144-bed acute care hospital, a 187-bed long-term care facility, and rural health clinics located in Yankton, South Dakota and the surrounding communities The Organization also operates a 23-bed acute care hospital and 47-bed long-term care facility, and rural health clinics in Creighton, Nebraska and the surrounding communities The Organization is structured as a South Dakota nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code The Organization operates under the tenets of the Roman Catholic Church and in accordance with the philosophy and values established for Avera Health, the sole member of the Organization and a sponsored ministry of the Benedictine and Presentation Sisters

Consolidation

The consolidated financial statements for the years ended June 30, 2014 and 2013 include the accounts of Sacred Heart Health Services and the accounts of the following controlled organizations

- Health Management Services, a nonprofit organization (corporate sponsorship and control ended on April 9, 2013)
- Lewis and Clark Health Education and Service Agency d/b/a Avera Education and Staffing Solutions, a nonprofit organization
- Valley Health Services, a for-profit corporation

Significant inter-company accounts and transactions have been eliminated in the consolidation

Use of Estimates

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

Cash and Cash Equivalents

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

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations Unpaid patient and resident receivables, excluding amounts due from third-party payors, with service discharge dates over 90 days old have interest assessed at 1 percent per month Interest charges are recognized as income when charged to the patient or resident Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim

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

The Organization's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2013 to June 30, 2014 The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors The Organization has not significantly changed its charity care or uninsured discount policies during fiscal years 2014 or 2013 Patient and resident receivables are shown net of estimated uncollectibles, charity care, and other allowances of approximately $16,997,000 and $13,606,000 as of June 30, 2014 and 2013, respectively

Physician Notes Receivable

The Organization has entered unsecured notes at market rates with physicians as part of its recruitment process Notes are repayable over a minimum of a one-year period to a maximum of a four-year period and are issued at market terms The notes are issued with forgiveness provisions over the life of the note to encourage retention Based on historical analysis, it is anticipated that the balance of the notes will be forgiven Notes receivable with physicians totaled $850,764 and $1,294,097 as of June 30, 2014 and 2013, respectively Physician notes receivables are classified as other noncurrent receivables in the consolidated balance sheets

Supplies

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

Assets Limited as to Use

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

Donor-Restricted and Other Assets of Foundation Division

The Organization holds and invests donor-restricted funds and other assets that remain unspent Due to the restricted nature, the investments and cash and cash equivalents are classified as limited as to use in the consolidated balance sheets

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 All investment are classified as trading securities, therefore investment income or loss (including interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law Investment income on funds held under indenture agreements is recorded as other operating revenue while all other investment income is recorded as nonoperating revenue in the consolidated statements of operations

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

Investment 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 annually 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

Fair Value Measurements

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

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

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

Property and Equipment

Property and equipment acquisitions in excess of $1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Land improvements	3 - 25 years
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years

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

Impairment of Long-Lived Assets

The Organization considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended June 30, 2014 and 2013.

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 respective reporting unit. The Organization performs its test for recoverability for goodwill at the same time each year, unless circumstances require additional analysis. There have been no impairment charges resulting from this review for the years ended June 30, 2014 and 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

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated statements of operations

Contributions Made

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

Temporarily and Permanently Restricted Net Assets

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

Income Taxes

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) Certain consolidated subsidiaries, including Valley Health Services, are not tax-exempt entities and are considered partnerships or disregarded entities for tax purposes The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred The Organization's federal Form 990T and other tax return filings are no longer subject to federal tax examinations by tax authorities for years before 2011

Revenues In Excess of Expenses

Revenues in excess of expenses excludes transfers of assets to and from related parties for other than goods and services, reclassifications of accumulated losses on interest rate swap, 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 its established rates Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy On the basis of historical experience, a significant portion of the Organization's uninsured patients and residents will be unable or unwilling to pay for the services provided Thus, the Organization records a significant provision for bad debts 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	$ 91,768,982	$ 86,183,849
Self-pay	13,576,573	13,881,643
Total all payors	$ 105,345,555	$ 100,065,492

Charity Care

The Organization provides health care services to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than established rates Since the Organization does not pursue collection of these amounts, they are not reported as patient and resident service revenue The amount of charges foregone for services provided under the Organization's charity care policy were approximately $2,353,000 and $2,364,000 for the years ended June 30, 2014 and 2013 The estimated cost of providing these services was $950,000 and $897,000 for the years ended June 30, 2014 and 2013, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients

Advertising Costs

The Organization expenses advertising costs as incurred Advertising expenses totaled $407,381 and $536,229 for the years ended June 30, 2014 and 2013, 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 The Medicaid program in South Dakota requires eligible hospitals to register for the program prior to 2016, to engage in efforts to adopt, implement or upgrade certified EHR technology in order to qualify for the initial year of participation, and to demonstrate meaningful use of certified EHR technology in order to qualify for additional years of payments The payment schedule is based on a formula of the overall EHR amount times the Medicaid share and is paid 40% in the first and second years and at 20% in the last year of participation based on a Federal Fiscal Year For South Dakota, hospitals cannot initiate payments after 2016 and payment years must be consecutive after 2016 through 2021

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

During the years ended June 30, 2014 and 2013, the Organization recorded approximately $965,000 and $1,351,664 related to the Medicare program and approximately $-0- related to Medicaid programs in other revenue for meaningful use incentives These incentives have been recognized when management becomes reasonably assured of meeting the required criteria

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

Market Risk

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

Reclassifications

Reclassifications have been made to the consolidated financial presentation to make it conform to the current year presentation The reclassifications had no effect on previously reported operating results or changes in net assets

Note 2 - Loan Guarantees

The Organization is a member of the Avera Health Obligated Group (Obligated Group) and is a party to a Master Trust Indenture that results in the Organization being jointly and severally obligated for various debt issues of the Obligated Group The Obligated Group is comprised of Avera Health and six of its sponsored organizations including Avera McKennan, Avera St Luke's, Sacred Heart Health Services, Avera Queen of Peace, Avera Marshall, and Avera St Mary's (as of January 1, 2013) Avera McKennan and other Obligated Group members have recorded their allocable share of the par amount of these debt transactions based on their respective underlying proceeds from the various debt issuances (see Note 10) The Master Trust Indenture also places limits on the incurrence of additional borrowings and requires that the Obligated Group satisfy certain measures of financial performance as long as the debt is outstanding

As of June 30, 2014, the Organization is jointly and severally obligated for various bond issues under a Master Trust Indenture as follows

	2014	2013
South Dakota Health and Educational Facilities Authority Series 2008B Revenue Bonds Payable, 5 25% to 5 50% interest only until July 1, 2033, then varying annual installments to July 1, 2038	$ 50,320,000	$ 50,320,000
South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Revenue Refunding Bonds, 0 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 through July 1, 2042	69,720,000	71,205,000
South Dakota Health and Educational Facilities Authority Series 2012B Revenue Bonds, variable interest rates ranging 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, with remaining balance due on final maturity of 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	9,929,626
South Dakota Health and Educational Facilities Authority Series 2014 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	-
	$ 402,442,161	$ 350,430,939

Note 3 - Net Patient and Resident Service Revenue

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

Medicare – PPS: Inpatient acute care, outpatient and rehab services rendered to Medicare program beneficiaries are paid at 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 fiscal intermediary The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2011

Medicare – CAH: The Organization operates a facility that is licensed as a Critical Access Hospital (CAH) The facility is reimbursed for most inpatient and outpatient services on a cost-based methodology with final settlement determined after submission of the annual cost report by the hospital and is subject to audit thereof by the Medicare intermediary The critical access hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012

Medicaid – South Dakota: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a fee schedule reimbursement methodology based on historical costs, but not subject to retroactive settlement

Medicaid – Nebraska: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology The Organization's Medicaid cost reports have been settled by the Medicaid program through June 30, 2012

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

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

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

Revenue from the Medicare and Medicaid programs accounted for approximately 36% and 10% of the Organization's net patient service revenue for the year ended June 30, 2014 and 36% and 10% 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 at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient and resident service revenue and contractual adjustments for the years ended June 30, 2014 and 2013, is as follows:

	2014	2013
Total patient and resident service revenue	$ 221,156,879	$ 199,570,229
Contractual adjustments		
Medicare	(65,885,329)	(55,058,508)
Medicaid	(14,309,893)	(13,580,685)
Blue Cross	(12,431,947)	(10,222,765)
Other	(23,184,155)	(20,642,779)
Total contractual adjustments	(115,811,324)	(99,504,737)
Net patient and resident service revenue	105,345,555	100,065,492
Provision for bad debts	(3,898,107)	(3,178,759)
Net patient and resident service revenue less provision for bad debts	$ 101,447,448	$ 96,886,733

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2014 and 2013, is set forth in the following table

	2014	2013
By Board for capital improvements and debt redemption		
Certificates of deposit	$ 1,069,716	$ 1,169,107
Interest in Pooled Investment Fund*	166,154,241	147,279,330
Mutual funds and other	329,656	285,948
Other investments (at cost)	214,400	229,788
	$ 167,768,013	$ 148,964,173
Under indenture agreement - held by trustee		
Cash and cash equivalents	$ 235,462	$ 204,341
Less amount shown as current	(187,884)	(174,773)
	$ 47,578	$ 29,568
Donor restricted and other assets of Foundation division		
Cash and cash equivalents	$ 30,694	$ 109,711
Certificates of deposit	3,977,872	3,821,887
Interest in Pooled Investment Fund*	10,153,111	8,556,697
Mutual funds and other	1,969,463	1,587,796
	$ 16,131,140	$ 14,076,091

Pooled Investment Fund*

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

As of June 30, 2014 and 2013, the Avera Pooled Investment Fund assets consisted of the following types of investments

	2014	2013
Equity mutual funds	32 7%	28 7%
Fixed income mutual funds	18 4%	17 2%
Non-publicly traded alternative investments		
Hedge fund	12 5%	11 8%
Real asset	2 2%	2 5%
Publicly traded equity securities	8 1%	10 7%
Corporate bonds	6 2%	6 1%
Foreign equities	6 2%	5 7%
Cash and short-term investments	3 1%	5 6%
Balanced mutual funds	5 0%	4 9%
U S government issues	3 4%	4 4%
Other fixed income	2 2%	2 4%
	100 0%	100 0%

Other Investments

The composition of other investments at June 30, 2014 and 2013, is set forth in the following table

	2014	2013
Other investments		
Cash and cash equivalents	$ 498,136	$ 498,188
Interest in Pooled Investment Fund *	1,281,755	1,050,827
Certificates of deposit	100,000	100,000
	$ 1,879,891	$ 1,649,015

Investment Income

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

	2014	2013
Other revenue		
Interest income	$ 85,645	$ 164,062
Other income		
Interest and dividend income	$ 85,320	$ 79,437
Realized gains on investments, net	6,368,776	5,614,777
Change in unrealized gains on investments	13,456,907	6,087,919
	$ 19,911,003	$ 11,782,133
Temporarily Restricted Net Assets		
Realized gains on investments, net	426,773	373,315
Change in unrealized gains on investments	1,206,438	608,176
	$ 1,633,211	$ 981,491

Note 5 - Fair Value Measurements

Fair Value of Assets and Liabilities

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

	2014	2013
Mutual funds and other	$ 2,299,119	$ 1,873,744
Interest rate swap agreement liability	$ 496,588	$ 486,830

The related fair values of assets and liabilities measured at fair value on a recurring basis are determined as follows

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2014			
Mutual funds and other	$ 2,299,119	$ -	$ -
Interest rate swap agreement liability	$ -	$ 496,588	$ -
June 30, 2013			
Mutual funds and other	$ 1,873,744	$ -	$ -
Interest rate swap agreement liability	$ -	$ 486,830	$ -

The fair value of mutual funds and other assets is determined by reference to quoted market prices The fair value of the interest rate swap is based upon the related LIBOR swap rates during the term of the swap agreement

Note 6 - Fair Value of Financial Instruments

The Organization considers the carrying amount of significant classes of financial instruments on the consolidated balance sheets, including cash and cash equivalents, net accounts receivable, assets limited as to use, other assets, accounts payable, accrued liabilities, derivative liabilities, and other current and long-term liabilities 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

Note 7 - Property and Equipment

A summary of property and equipment at June 30, 2014 and 2013 follows

	2014		2013	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 4,034,869	$ -	$ 4,034,869	$ -
Land improvements	6,108,378	3,661,845	5,651,202	3,485,880
Buildings	103,124,713	57,340,261	89,383,951	54,287,559
Equipment	43,647,504	29,591,618	43,653,908	29,378,242
Construction in progress	776,955	-	10,446,331	-
	$ 157,692,419	$ 90,593,724	$ 153,170,261	$ 87,151,681
Net property and equipment		$ 67,098,695		$ 66,018,580

Projects and construction in progress at June 30, 2014 primarily represents costs incurred for the expansion of the Organization's long-term care facility The remaining total estimated cost to complete this project is approximately $10 4 million The expansion project is expected to be completed during the year ended June 30, 2016 The project is being financed with proceeds from the Avera Health 2014 bond issue and the Organization's funds

Note 8 - Investment in Affiliated Organization

The Organization's investment in affiliated organization consists of a 23% ownership interest in Avera Home Medical Equipment LLC The investment is accounted for on the equity method of accounting that approximates the Organization's equity in the underlying net book value of the company A summary of the financial statements for this entity as of June 30, 2014 and 2013, and for the years then ended, is as follows

	2014	2013
Cash and cash equivalents	$ 339,148	$ 168,255
Other current assets	3,109,303	3,102,651
Land, property, and equipment - net	742,998	806,522
Other non-current assets	1,305,430	1,343,911
Total assets	$ 5,496,879	$ 5,421,339
Total current liabilities	$ 1,111,872	$ 1,257,493
Member's equity	4,385,007	4,163,846
Total liabilities and member's equity	$ 5,496,879	$ 5,421,339
Total revenues	$ 6,618,507	$ 5,802,999
Total expenses	6,397,346	6,138,034
Net income (loss)	$ 221,161	$ (335,035)

Note 9 - Leases

The Organization leases certain equipment and space under various operating leases with terms of less than one year or cancelable upon written notice Total lease expense for the years ended June 30, 2014 and 2013 for all operating leases and rental agreements was $661,929 and $636,298

Note 10 - Long-Term Debt

Long-term debt consists of

	2014	2013
City of Creighton Health Care Facility Revenue Bonds, Series 2006A, 4 375%, due annually in increasing installments through December 15, 2026	$ 2,875,157	$ 3,044,275
City of Creighton Health Care Facility Revenue Bonds, Series 2006B, 4 375%, due annually in increasing installments through December 15, 2026	100,583	106,239
Related party payables to Avera Health		
Variable Rate Demand Revenue Bonds Payable, Series 2008C	3,098,691	3,120,000
Revenue Bonds, Series 2012A	18,464,212	18,946,572
Revenue Bonds, Series 2014	7,704,918	-
	32,243,561	25,217,086
Less current maturities	(843,505)	(678,443)
	$ 31,400,056	$ 24,538,643

Long-term debt maturities are as follows

Years Ending June 30,	
2015	843,505
2016	809,523
2017	816,495
2018	848,309
2019	881,874
Thereafter	28,043,855
	$ 32,243,561

Under the terms of the revenue bond loan agreements the Organization is required to maintain certain deposits with a trustee The loan agreements place limits on the incurrence of additional borrowings and requires that the Organization satisfy certain financial covenants as long as the bonds are outstanding

Note 11 - Interest Rate Swap

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 fluctuations As part of this strategy, the Organization has entered into the following interest rate swap agreement

Reference	Maturity Date	Notional Amount	Organization Pays	Organization Receives	Fair Value 2014	Fair Value 2013
Swap A	2033	$ 2,552,781	3 915%	67% of LIBOR	$ (496,588)	$ (486,830)

The Organization entered into Swap A to effectively convert $2,552,781 of variable rate debt to synthetic fixed rate debt at a rate of 3 915%

Effective July 1, 2009, the Organization elected to discontinue the designation of Swap A as a cash flow hedge The net unrealized loss on the date of hedge accounting discontinuance of $369,482 is being prospectively reclassified into revenues in excess of expenses as future interest payments are made over the remaining term of the swap agreement For the years ended June 30, 2014 and 2013, $22,247 was reclassified into revenues in excess of expenses related to the hedging discontinuance The aggregate fair value of the swap agreement was recorded as a long term liability of $496,588 and $486,830 as of June 30, 2014 and 2013, respectively The change in fair value of $(9,758) and $234,867 was recorded in revenues in excess of expenses for the years ended June 30, 2014 and 2013, respectively

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

	2014	2013
Long-term Liability		
Fair value of interest rate swap agreement	$ 496,588	$ 486,830
Revenues in Excess of Expenses		
Change in fair value of interest rate swap not designated as hedging instrument	(9,758)	234,867
Reclassification of unrealized loss on interest rate swap	(22,247)	(22,247)
Interest expense (net outflow of cash)	45,856	46,323
Other Changes in Net Assets		
Reclassification of unrealized loss on interest rate swap	22,247	22,247

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
Funds restricted for hospice capital projects and services	$ 1,053,041	$ 960,514
Funds restricted for long term care capital projects and services	3,406,322	3,062,424
Funds restricted for hospital capital projects and services	8,943,178	8,066,596
Funds restricted for capital projects and various health care related programs and services	1,701,716	1,502,880
	$ 15,104,257	$ 13,592,414

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 services	$ 509,606	$ 457,916

Note 13 - Endowments

The Organization's endowments consist of various individual funds established for a variety of purposes Its endowments represent donor-restricted endowment funds As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

Interpretation of Relevant Law

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

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

Changes in endowment net assets for the years ended June 30, 2014 and 2013, are as follows

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year, July 1, 2012	$ -	$ 335,095	$ 457,916	$ 793,011
Investment return	-	65,142	-	65,142
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(18,788)	-	(18,788)
Endowment net assets at end of year, June 30, 2013	-	381,449	457,916	839,365
Investment return	-	133,464	-	133,464
Contributions	-	-	51,690	51,690
Appropriation of endowment assets for expenditure	-	(10,830)	-	(10,830)
Endowment net assets at end of year, June 30, 2014	$ -	$ 504,083	$ 509,606	$ 1,013,689

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration In accordance with generally accepted accounting principles, deficiencies of this nature are reclassified and reported in unrestricted net assets These deficiencies typically result from unfavorable market fluctuations that occur There were no such deficiencies that were deemed material as of June 30, 2014 and 2013

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide available resources to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce acceptable market returns while assuming a moderate level of investment risk Actual returns in any given year may vary from this amount

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization does not have a formal policy for appropriating for distribution any earnings from endowment assets The Organization appropriates funds on a project by project basis during the year with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return

Note 14 - Self-Insurance Programs

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

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

The programs include a combination of self-insurance and commercial insurance The expenses of the Organization for contributions to the self-insurance portion of the programs were as follows for the years ended June 30, 2014 and 2013

	2014	2013
Health and dental	$ 6,129,908	$ 6,242,014
Professional liability	391,474	397,228
Workers' compensation	428,489	478,720
	$ 6,949,871	$ 7,117,962

Professional liability and workers' compensation claims have been asserted against the participating facilities and the program by various claimants The claims are in various stages of processing and some may ultimately be brought to trial Counsel is unable to conclude as to the ultimate outcome of the actions There are other known incidents occurring through June 30, 2014, that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past

There are also known health insurance claims that have been submitted subsequent to June 30, 2014, and it is likely there are also other claims that still have not been submitted for services provided prior to June 30, 2014

The insurance programs noted above include additional commercial coverage to protect the Organization from loss While it is possible that the settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the programs have provided, management believes that the excess liability, if any, should not materially affect the consolidated financial position of the Organization at June 30, 2014

Note 15 - Employee Pension Plan

The Organization has a defined contribution pension plan under which employees become participants upon reaching age 21 and completion of one year of service Employees may elect to voluntarily contribute up to 10% of their compensation Pension expense determined in accordance with the plan formula (4% of eligible covered compensation) was $1,309,337 and $1,118,525 for the years ended June 30, 2014 and 2013

Note 16 - Related Party Transactions

Avera Health and its sponsors, the Benedictine and Presentation Sisters, operate various health care related organizations in addition to the Organization Material transactions between the Organization and these related parties were as follows for the years ended June 30, 2014 and 2013

	2014	2013
Payments to (from) related parties recorded by the Organization		
Equity transfers	$ (295,083)	$ 2,585,975
Management and other services	7,383,537	5,008,004
Employee benefit programs	6,129,908	6,242,014
Professional liability and workers' compensation insurance programs	819,963	875,948
Income recorded by the Organization		
Consulting fees and other	1,265,076	1,313,329
Balance Sheets		
Other receivables	436,423	335,070
Custodial funds due from related party	8,000,000	2,258,658
Accounts payable	(1,631,319)	(1,527,273)
Insurance premium payable	(2,131)	(244)
Related party payables to Avera Health	(29,267,821)	(22,066,572)

Note 17 - Concentration of Credit Risk

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

	2014	2013
Medicare	36%	36%
Blue Cross	13%	12%
Medicaid	12%	11%
Commercial insurance	15%	15%
Other third-party payors, patients and residents	24%	26%
	100%	100%

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

Note 18 - Functional Expenses

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

	2014	2013
Health care services	$ 83,584,347	$ 81,012,706
General, administrative and support services	20,024,848	18,972,992
Fundraising	140,461	135,073
	$ 103,749,656	$ 100,120,771

Note 19 - Contingencies

Malpractice and Other Insurance

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

The Organization records a liability for expected insured losses in deferred revenue and other, and related expected recoveries in other accounts receivable

Litigation, Regulatory and Compliance Matters

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, government healthcare program participation, government reimbursement, antitrust, anti-kickback and anti-referral by physicians, false claims prohibitions, and in the case of tax-exempt organizations, the requirements of tax exemption In recent years, government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations, quality of care provided to patients, and handling of controlled substances In addition, during the course of business, the Organization becomes involved in litigation Management assesses the probable outcome of unresolved litigation and investigations and determines the appropriate accounting recognition or disclosure based on their assessment As of June 30, 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 20 - Subsequent Events

The Organization has evaluated subsequent events through October 6, 2014, the date which the consolidated financial statements were available to be issued