

# Avera Tyler

## 2016 Return of Organization Exempt from Tax (Form 990)

Year-End June 30, 2017

*Public Disclosure Copy*

### **STATEMENT THAT THIS IS A TAX RETURN NOT A FINANCIAL STATEMENT**

The accompanying federal income tax return does **NOT** constitute a financial statement. We have not audited, reviewed or compiled the accompanying income tax return and, accordingly, do not express an opinion or any other form of assurance on it.

An income tax return is not intended to constitute financial statements prepared in accordance with generally accepted accounting principles. Accordingly, it does not necessarily include all financial information or disclosures required by generally accepted accounting principles. If the omitted financial information or disclosures were included with the tax return, they might influence the users' conclusions about the taxpayer's financial position, results of operations and cash flows. Accordingly, this income tax return is not designed to be used in lieu of financial statements.

### **RECORD RETENTION**

Copies of your tax returns are enclosed for your files. It is your responsibility to retain copies of your tax information. We recommend the following guidelines:

- Tax returns – keep indefinitely.
- Supporting documentation – keep for 8 years.
- Records supporting your tax basis in personal, investment and business assets and gift documentation – keep indefinitely.

Please note: Eide Bailly retains copies of tax returns, workpapers and other tax information for a period of eight years. After that, we dispose of all records. If you have questions regarding retention of tax records, please contact us.

Extended to May 15, 2018

OMB No. 1545-0047

Form **990**

**Return of Organization Exempt From Income Tax**  
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

**2016**  
Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.  
▶ Information about Form 990 and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

**A** For the 2016 calendar year, or tax year beginning **JUL 1, 2016** and ending **JUN 30, 2017**

|  |  |   |  |
|--|--|---|--|
| <b>B</b> Check if applicable:<br><br><input type="checkbox"/> Address change<br><input type="checkbox"/> Name change<br><input type="checkbox"/> Initial return<br><input type="checkbox"/> Final return/terminated<br><input type="checkbox"/> Amended return<br><input type="checkbox"/> Application pending | <b>C</b> Name of organization<br><b>Avera Tyler</b>  |   | <b>D</b> Employer identification number<br><b>41-0853163</b> |
|  | Doing business as  |   | <b>E</b> Telephone number<br><b>507-247-5521</b>             |
|  | Number and street (or P.O. box if mail is not delivered to street address)                         | Room/suite  |  |
|  | City or town, state or province, country, and ZIP or foreign postal code<br><b>Tyler, MN 56178</b> |   | <b>G</b> Gross receipts \$ <b>11,235,858.</b>                |
| <b>F</b> Name and address of principal officer: <b>Allen Anderson same as C above</b>  |  | <b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No<br>If "No," attach a list. (see instructions)<br><b>H(c)</b> Group exemption number ▶ |  |
| <b>I</b> Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527   |  |   |  |
| <b>J</b> Website: ▶ <b>www.avera.org</b>   |  |   |  |
| <b>K</b> Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶  |  |   | <b>L</b> Year of formation: <b>1918</b>                      |
| <b>M</b> State of legal domicile: <b>MN</b>  |  |   |  |

**Part I Summary**

|  |  |
|--|--|
| <b>Activities &amp; Governance</b>   | <b>1</b> Briefly describe the organization's mission or most significant activities: <b>Promotion of health</b>                                  |
|  | <b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets. |
|  | <b>3</b> Number of voting members of the governing body (Part VI, line 1a) <b>3</b> <b>15</b>  |
|  | <b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) <b>4</b> <b>13</b>  |
|  | <b>5</b> Total number of individuals employed in calendar year 2016 (Part V, line 2a) <b>5</b> <b>180</b>  |
|  | <b>6</b> Total number of volunteers (estimate if necessary) <b>6</b> <b>41</b>   |
|  | <b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 <b>7a</b> <b>0.</b>   |
| <b>7b</b> Net unrelated business taxable income from Form 990-T, line 34 <b>7b</b> <b>0.</b>     |  |
| <b>Revenue</b>   | <b>8</b> Contributions and grants (Part VIII, line 1h) <b>223,790.</b> <b>176,278.</b>   |
|  | <b>9</b> Program service revenue (Part VIII, line 2g) <b>4,077,818.</b> <b>10,759,073.</b>   |
|  | <b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) <b>595.</b> <b>38,636.</b>   |
|  | <b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) <b>561.</b> <b>252,678.</b>                                   |
|  | <b>12</b> Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) <b>4,302,764.</b> <b>11,226,665.</b>                |
| <b>Expenses</b>  | <b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3) <b>0.</b> <b>1,000.</b>   |
|  | <b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) <b>0.</b> <b>0.</b>  |
|  | <b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) <b>1,952,011.</b> <b>5,152,126.</b>                  |
|  | <b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) <b>0.</b> <b>0.</b>   |
|  | <b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <b>0.</b>   |
|  | <b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) <b>2,454,567.</b> <b>6,494,640.</b>                                       |
|  | <b>18</b> Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) <b>4,406,578.</b> <b>11,647,766.</b>                         |
| <b>19</b> Revenue less expenses. Subtract line 18 from line 12 <b>-103,814.</b> <b>-421,101.</b> |  |
| <b>Net Assets or Fund Balances</b>   | <b>20</b> Total assets (Part X, line 16) <b>5,109,581.</b> <b>5,428,114.</b>   |
|  | <b>21</b> Total liabilities (Part X, line 26) <b>4,915,088.</b> <b>5,757,444.</b>  |
|  | <b>22</b> Net assets or fund balances. Subtract line 21 from line 20 <b>194,493.</b> <b>-329,330.</b>  |

**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.

|                  |  |      |
|------------------|--|------|
| <b>Sign Here</b> | ▶ Signature of officer   | Date |
|                  | ▶ <b>Allen Anderson, Administrator</b><br>Type or print name and title |      |

|   |  |  |                         |   |                          |
|---|--|--|-------------------------|---|--------------------------|
| <b>Paid Preparer Use Only</b>   | Print/Type preparer's name<br><b>Kim Hunwardsen, CPA</b> | Preparer's signature<br><b>Kim Hunwardsen, CPA</b> | Date<br><b>05/08/18</b> | Check if self-employed <input type="checkbox"/> | PTIN<br><b>P00484560</b> |
|   | Firm's name ▶ <b>Eide Bailly LLP</b>                     | Firm's EIN ▶ <b>45-0250958</b>                     |                         | Phone no. <b>612-253-6500</b>                   |                          |
| Firm's address ▶ <b>800 Nicollet Mall, Ste. 1300 Minneapolis, MN 55402-7033</b> |  |  |                         |   |                          |

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 [X]

1 Briefly describe the organization's mission:
Avera Health is a 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? [X] 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? [X] 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 \$ 9,712,915. including grants of \$ 1,000. ) (Revenue \$ 10,761,691. )
Avera Tyler is a 21 bed hospital, a 38 bed skilled nursing facility, and has rural healthcare clinics located in Tyler and Lake Benton, Minnesota. Inpatient, outpatient, clinic, and long term care services are provided to the residents of Lincoln County, Pipestone County, and Lyon County in southwest Minnesota.

The membership of the corporation of Avera Tyler is controlled by Avera Marshall. This transfer of membership took place on March 1, 2016. Prior to this time, the Tyler Healthcare Center Inc. was an independent healthcare facility. The membership of the Avera Marshall corporation is controlled by Avera Health whose headquarters are located in Sioux Falls South Dakota. Avera Tyler is governed by the Avera Tyler Board of

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 9,712,915.

**Part IV Checklist of Required Schedules**

|   | Yes | No |
|---|-----|----|
| <b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)?<br><i>If "Yes," complete Schedule A</i> .....  | X   |    |
| <b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ? .....   |     | X  |
| <b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i> .....  |     | X  |
| <b>4 Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i> .....  |     | X  |
| <b>5</b> 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? <i>If "Yes," complete Schedule C, Part III</i> .....   |     | X  |
| <b>6</b> 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? <i>If "Yes," complete Schedule D, Part I</i> .....  |     | X  |
| <b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i> .....  |     | X  |
| <b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i> .....   |     | X  |
| <b>9</b> 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? <i>If "Yes," complete Schedule D, Part IV</i> .....            |     | X  |
| <b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i> .....   |     | X  |
| <b>11</b> 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.   |     |    |
| <b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i> .....   | X   |    |
| <b>b</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? <i>If "Yes," complete Schedule D, Part VII</i> .....   | X   |    |
| <b>c</b> 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? <i>If "Yes," complete Schedule D, Part VIII</i> .....   |     | X  |
| <b>d</b> 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? <i>If "Yes," complete Schedule D, Part IX</i> .....  |     | X  |
| <b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i> .....   | X   |    |
| <b>f</b> 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)? <i>If "Yes," complete Schedule D, Part X</i> .....  | X   |    |
| <b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i> .....  |     | X  |
| <b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year?<br><i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i> .....  | X   |    |
| <b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> .....  |     | X  |
| <b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States? .....  |     | X  |
| <b>b</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? <i>If "Yes," complete Schedule F, Parts I and IV</i> ..... |     | X  |
| <b>15</b> 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? <i>If "Yes," complete Schedule F, Parts II and IV</i> .....   |     | X  |
| <b>16</b> 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? <i>If "Yes," complete Schedule F, Parts III and IV</i> .....   |     | X  |
| <b>17</b> 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? <i>If "Yes," complete Schedule G, Part I</i> .....   |     | X  |
| <b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i> .....   |     | X  |
| <b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i> .....   |     | X  |

**Part IV Checklist of Required Schedules** (continued)

|  | Yes | No |
|--|-----|----|
| <b>20a</b> Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> .....  | X   |    |
| <b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? .....  | X   |    |
| <b>21</b> Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> .....   |     | X  |
| <b>22</b> Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> .....   |     | X  |
| <b>23</b> Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> .....  | X   |    |
| <b>24a</b> Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i> .....                           |     | X  |
| <b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? .....   |     |    |
| <b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? .....  |     |    |
| <b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? .....   |     |    |
| <b>25a</b> <b>Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> .....  |     | X  |
| <b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> .....  |     | X  |
| <b>26</b> Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II</i> .....                                 |     | X  |
| <b>27</b> Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> ..... |     | X  |
| <b>28</b> 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):  |     |    |
| <b>a</b> A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> .....  |     | X  |
| <b>b</b> A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> .....   |     | X  |
| <b>c</b> An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> .....   |     | X  |
| <b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> .....  |     | X  |
| <b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> .....  |     | X  |
| <b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> .....  |     | X  |
| <b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> .....  |     | X  |
| <b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> .....  |     | X  |
| <b>34</b> Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> .....  | X   |    |
| <b>35a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)? .....   |     | X  |
| <b>b</b> If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> .....  |     |    |
| <b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> .....   |     | X  |
| <b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> .....   |     | X  |
| <b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? .....   | X   |    |

**Note.** All Form 990 filers are required to complete Schedule O .....

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

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

|            |  | Yes | No |
|------------|--|-----|----|
| <b>1a</b>  | Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable   |     |    |
| <b>1b</b>  | Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable  |     |    |
| <b>1c</b>  | Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?   | X   |    |
| <b>2a</b>  | Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return  |     |    |
| <b>2b</b>  | If at least one is reported on line 2a, did the organization file all required federal employment tax returns?<br><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)         | X   |    |
| <b>3a</b>  | Did the organization have unrelated business gross income of \$1,000 or more during the year?  |     | X  |
| <b>3b</b>  | If "Yes," has it filed a Form 990-T for this year? If "No," to line 3b, provide an explanation in Schedule O   |     |    |
| <b>4a</b>  | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? |     | X  |
| <b>4b</b>  | If "Yes," enter the name of the foreign country:<br>See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).  |     |    |
| <b>5a</b>  | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?  |     | X  |
| <b>5b</b>  | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?   |     | X  |
| <b>5c</b>  | If "Yes," to line 5a or 5b, did the organization file Form 8886-T?   |     |    |
| <b>6a</b>  | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?                                    |     | X  |
| <b>6b</b>  | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?  |     |    |
| <b>7</b>   | <b>Organizations that may receive deductible contributions under section 170(c).</b>   |     |    |
| <b>7a</b>  | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?  |     | X  |
| <b>7b</b>  | If "Yes," did the organization notify the donor of the value of the goods or services provided?  |     |    |
| <b>7c</b>  | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?   |     | X  |
| <b>7d</b>  | If "Yes," indicate the number of Forms 8282 filed during the year  |     |    |
| <b>7e</b>  | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  |     | X  |
| <b>7f</b>  | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?   |     | X  |
| <b>7g</b>  | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?   |     |    |
| <b>7h</b>  | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?   |     |    |
| <b>8</b>   | <b>Sponsoring organizations maintaining donor advised funds.</b> Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?   |     |    |
| <b>9</b>   | <b>Sponsoring organizations maintaining donor advised funds.</b>   |     |    |
| <b>9a</b>  | Did the sponsoring organization make any taxable distributions under section 4966?   |     |    |
| <b>9b</b>  | Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?  |     |    |
| <b>10</b>  | <b>Section 501(c)(7) organizations.</b> Enter:   |     |    |
| <b>10a</b> | Initiation fees and capital contributions included on Part VIII, line 12   |     |    |
| <b>10b</b> | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities  |     |    |
| <b>11</b>  | <b>Section 501(c)(12) organizations.</b> Enter:  |     |    |
| <b>11a</b> | Gross income from members or shareholders  |     |    |
| <b>11b</b> | Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)   |     |    |
| <b>12a</b> | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?  |     |    |
| <b>12b</b> | If "Yes," enter the amount of tax-exempt interest received or accrued during the year  |     |    |
| <b>13</b>  | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>  |     |    |
| <b>13a</b> | Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note.</b> See the instructions for additional information the organization must report on Schedule O.   |     |    |
| <b>13b</b> | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans  |     |    |
| <b>13c</b> | Enter the amount of reserves on hand   |     |    |
| <b>14a</b> | Did the organization receive any payments for indoor tanning services during the tax year?   |     | X  |
| <b>14b</b> | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O  |     |    |

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

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

**Section A. Governing Body and Management**

|           |  | Yes | No |
|-----------|--|-----|----|
| <b>1a</b> | Enter the number of voting members of the governing body at the end of the tax year<br>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. | 15  |    |
| <b>1b</b> | Enter the number of voting members included in line 1a, above, who are independent   | 13  |    |
| <b>2</b>  | Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?  | X   |    |
| <b>3</b>  | Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?   |     | X  |
| <b>4</b>  | Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?   |     | X  |
| <b>5</b>  | Did the organization become aware during the year of a significant diversion of the organization's assets?   |     | X  |
| <b>6</b>  | Did the organization have members or stockholders?   | X   |    |
| <b>7a</b> | Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?   | X   |    |
| <b>7b</b> | Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?  | X   |    |
| <b>8</b>  | Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:  |     |    |
| <b>8a</b> | a The governing body?  | X   |    |
| <b>8b</b> | b Each committee with authority to act on behalf of the governing body?  | X   |    |
| <b>9</b>  | Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O   |     | X  |

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

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

**Section C. Disclosure**

- 17** List the states with which a copy of this Form 990 is required to be filed **MN**
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 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, address, and telephone number of the person who possesses the organization's books and records: **Sharon Williams - 507-537-9150**  
**300 South Bruce Street, Marshall, MN 56258**

**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, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

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

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

| (A)<br>Name and Title   | (B)<br>Average hours per week (list any hours for related organizations below line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W-2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W-2/1099-MISC) | (F)<br>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) Roger Pabst<br>Chair/Physician                                    | 1.30<br>15.30   | X   |                       | X       |              |                              |        | 0.   | 6,633.  | 1,390.  |
| (2) Joyce Strootman<br>Vice Chair                                     | 1.30<br>1.30  | X   |                       | X       |              |                              |        | 0.   | 0.  | 0.  |
| (3) Todd Bock<br>Director   | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (4) Quentin Fixen<br>Director   | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (5) James Fuhrmann<br>Director  | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (6) Randy Gaffney<br>Director   | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (7) Laurie Johansen<br>Director                                       | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (8) George Jorgesen<br>Director                                       | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (9) Doug Olsen<br>Director  | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (10) Sr Roxanne Seifert<br>Director                                   | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (11) Randy Serreyn<br>Director  | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (12) Sr Mary Joan Reichelt<br>Director                                | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (13) Curtis Louwagie MD<br>Director/Ophthalmologist                   | 1.30<br>41.30   | X   |                       |         |              |                              |        | 0.   | 642,364.  | 30,230.   |
| (14) Sr Jodelle A Zimmerman<br>Director                               | 1.30<br>1.30  | X   |                       |         |              |                              |        | 0.   | 0.  | 0.  |
| (15) Mary Maertens(ex-officio w/vote)<br>President/CEO Avera Marshall | 2.50<br>40.00   | X   |                       | X       |              |                              |        | 0.   | 396,527.  | 30,230.   |
| (16) Sharon Williams<br>VP Finance                                    | 0.10<br>40.00   |   |                       | X       |              |                              |        | 0.   | 186,445.  | 27,192.   |
| (17) Allen Anderson<br>Administrator                                  | 40.00<br>0.00   |   |                       | X       |              |                              |        | 0.   | 0.  | 0.  |



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

| (A)<br>Name and title  | (B)<br>Average hours per week (list any hours for related organizations below line) | (C)<br>Position (do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W-2/1099-MISC) | (E)<br>Reportable compensation from related organizations (W-2/1099-MISC) | (F)<br>Estimated amount of other compensation from the organization and related organizations |
|--|---|---|-----------------------|---------|--------------|------------------------------|--------|--|---|---|
|  |   | Individual trustee or director  | Institutional trustee | Officer | Key employee | Highest compensated employee | Former |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
|  |   |   |                       |         |              |                              |        |  |   |   |
| <b>1b Sub-total</b>  |   |   |                       |         |              |                              | 0.     | 1,231,969.   | 89,042.   |   |
| <b>c Total from continuation sheets to Part VII, Section A</b> |   |   |                       |         |              |                              | 0.     | 0.   | 0.  |   |
| <b>d Total (add lines 1b and 1c)</b>                           |   |   |                       |         |              |                              | 0.     | 1,231,969.   | 89,042.   |   |

**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 **0**

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

**Section B. Independent Contractors**

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

| (A)<br>Name and business address                                      | (B)<br>Description of services        | (C)<br>Compensation |
|---|---------------------------------------|---------------------|
| Avera Marshall<br>300 South Bruce St, Marshall, MN 56258              | Physicians and Shared Services        | 1,848,603.          |
| Avera Health<br>3900 W Avera Dr, Sioux Falls, SD 57108                | Shared Services                       | 459,657.            |
| Big Stone Therapies, Inc.<br>309 Washington Ave, Ortonville, MN 56278 | PT,OT, and Speech Therapy             | 392,696.            |
| Avera McKennan<br>800 E 21st St, Sioux Falls, SD 57117                | Physicians, Lab, Radiology, and Other | 114,987.            |

**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 **4**

**Part VIII Statement of Revenue**

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

|   |   |   | (A)           | (B)                                | (C)                        | (D)  |         |
|---|---|---|---------------|------------------------------------|----------------------------|--|---------|
|   |   |   | Total revenue | Related or exempt function revenue | Unrelated business revenue | Revenue excluded from tax under sections 512 - 514 |         |
| <b>Contributions, Gifts, Grants and Other Similar Amounts</b>     | <b>1 a</b> Federated campaigns  | <b>1a</b>   |               |                                    |                            |  |         |
|   | <b>b</b> Membership dues  | <b>1b</b>   |               |                                    |                            |  |         |
|   | <b>c</b> Fundraising events   | <b>1c</b>   |               |                                    |                            |  |         |
|   | <b>d</b> Related organizations  | <b>1d</b>   |               |                                    |                            |  |         |
|   | <b>e</b> Government grants (contributions)  | <b>1e</b>   | 21,622.       |                                    |                            |  |         |
|   | <b>f</b> All other contributions, gifts, grants, and similar amounts not included above   | <b>1f</b>   | 154,656.      |                                    |                            |  |         |
|   | <b>g</b> Noncash contributions included in lines 1a-1f: \$  |   |               |                                    |                            |  |         |
|   | <b>h Total.</b> Add lines 1a-1f   |   |               | 176,278.                           |                            |  |         |
| <b>Program Service Revenue</b>                                    | <b>2 a</b> Patient Service Revenue  | <b>Business Code</b><br>622110                        | 10,638,602.   | 10,638,602.                        |                            |  |         |
|   | <b>b</b> Pharmacy Revenue   | 900099  | 67,431.       | 67,431.                            |                            |  |         |
|   | <b>c</b> Change in Foundation   | 900099  | -373.         | -373.                              |                            |  |         |
|   | <b>d</b>  |   |               |                                    |                            |  |         |
|   | <b>e</b>  |   |               |                                    |                            |  |         |
|   | <b>f</b> All other program service revenue  | 900099  | 53,413.       | 53,413.                            |                            |  |         |
|   | <b>g Total.</b> Add lines 2a-2f   |   |               | 10,759,073.                        |                            |  |         |
| <b>Other Revenue</b>  | <b>3</b> Investment income (including dividends, interest, and other similar amounts)   |   | 47,829.       |                                    |                            | 47,829.  |         |
|   | <b>4</b> Income from investment of tax-exempt bond proceeds   |   |               |                                    |                            |  |         |
|   | <b>5</b> Royalties  |   |               |                                    |                            |  |         |
|   | <b>6 a</b> Gross rents  | (i) Real  | (ii) Personal |                                    |                            |  |         |
|   |   | <b>b</b> Less: rental expenses                        |               |                                    |                            |  |         |
|   |   | <b>c</b> Rental income or (loss)                      |               |                                    |                            |  |         |
|   |   | <b>d</b> Net rental income or (loss)                  |               |                                    |                            |  |         |
|   | <b>7 a</b> Gross amount from sales of assets other than inventory   | (i) Securities  | (ii) Other    |                                    |                            |  |         |
|   |   | <b>b</b> Less: cost or other basis and sales expenses |               | 9,193.                             |                            |  |         |
|   |   | <b>c</b> Gain or (loss)                               |               | -9,193.                            |                            |  |         |
|   |   | <b>d</b> Net gain or (loss)                           |               |                                    | -9,193.                    |  | -9,193. |
|   | <b>8 a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 | <b>a</b>  |               |                                    |                            |  |         |
|   |   | <b>b</b> Less: direct expenses                        | <b>b</b>      |                                    |                            |  |         |
|   |   | <b>c</b> Net income or (loss) from fundraising events |               |                                    |                            |  |         |
|   | <b>9 a</b> Gross income from gaming activities. See Part IV, line 19  | <b>a</b>  |               |                                    |                            |  |         |
| <b>b</b> Less: direct expenses                                    |   | <b>b</b>  |               |                                    |                            |  |         |
| <b>c</b> Net income or (loss) from gaming activities              |   |   |               |                                    |                            |  |         |
| <b>10 a</b> Gross sales of inventory, less returns and allowances | <b>a</b>  |   |               |                                    |                            |  |         |
|   | <b>b</b> Less: cost of goods sold   | <b>b</b>  |               |                                    |                            |  |         |
|   | <b>c</b> Net income or (loss) from sales of inventory   |   |               |                                    |                            |  |         |
| Miscellaneous Revenue   |   | <b>Business Code</b>                                  |               |                                    |                            |  |         |
| <b>11 a</b> Insurance Recovery                                    | 900099  | 250,060.  |               |                                    | 250,060.                   |  |         |
| <b>b</b> A/R Interest Income                                      | 900099  | 2,618.  | 2,618.        |                                    |                            |  |         |
| <b>c</b>  |   |   |               |                                    |                            |  |         |
| <b>d</b> All other revenue  |   |   |               |                                    |                            |  |         |
| <b>e Total.</b> Add lines 11a-11d                                 |   |   | 252,678.      |                                    |                            |  |         |
| <b>12 Total revenue.</b> See instructions.                        |   |   | 11,226,665.   | 10,761,691.                        | 0.                         | 288,696.   |         |

**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  X

| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.  | (A)<br>Total expenses | (B)<br>Program service expenses | (C)<br>Management and general expenses | (D)<br>Fundraising expenses |
|---|-----------------------|---------------------------------|--|-----------------------------|
| 1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21  |                       |                                 |  |                             |
| 2 Grants and other assistance to domestic individuals. See Part IV, line 22   | 1,000.                | 1,000.                          |  |                             |
| 3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16  |                       |                                 |  |                             |
| 4 Benefits paid to or for members   |                       |                                 |  |                             |
| 5 Compensation of current officers, directors, trustees, and key employees  |                       |                                 |  |                             |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)   |                       |                                 |  |                             |
| 7 Other salaries and wages  | 3,906,069.            | 3,531,003.                      | 375,066.                               |                             |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)  | 250,692.              | 227,981.                        | 22,711.                                |                             |
| 9 Other employee benefits   | 707,988.              | 659,854.                        | 48,134.                                |                             |
| 10 Payroll taxes  | 287,377.              | 265,728.                        | 21,649.                                |                             |
| 11 Fees for services (non-employees):   |                       |                                 |  |                             |
| a Management  |                       |                                 |  |                             |
| b Legal   | 2,315.                |                                 | 2,315.                                 |                             |
| c Accounting  | 52,042.               |                                 | 52,042.                                |                             |
| d Lobbying  |                       |                                 |  |                             |
| e Professional fundraising services. See Part IV, line 17   |                       |                                 |  |                             |
| f Investment management fees  |                       |                                 |  |                             |
| g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)   | 3,051,385.            | 2,441,639.                      | 609,746.                               |                             |
| 12 Advertising and promotion  | 188.                  |                                 | 188.                                   |                             |
| 13 Office expenses  | 91,127.               | 59,550.                         | 31,577.                                |                             |
| 14 Information technology   | 16.                   | 16.                             |  |                             |
| 15 Royalties  |                       |                                 |  |                             |
| 16 Occupancy  | 219,635.              | 219,635.                        |  |                             |
| 17 Travel   | 59,391.               | 55,005.                         | 4,386.                                 |                             |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials   |                       |                                 |  |                             |
| 19 Conferences, conventions, and meetings   |                       |                                 |  |                             |
| 20 Interest   | 7,410.                | 7,410.                          |  |                             |
| 21 Payments to affiliates   |                       |                                 |  |                             |
| 22 Depreciation, depletion, and amortization  | 785,052.              | 448,943.                        | 336,109.                               |                             |
| 23 Insurance  | 82,906.               | 3,986.                          | 78,920.                                |                             |
| 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 <b>Medical Supplies</b>   | 983,433.              | 983,433.                        |  |                             |
| b <b>Repairs and Maintenance</b>  | 607,261.              | 400,009.                        | 207,252.                               |                             |
| c <b>Bad Debt Expense</b>   | 121,004.              | 121,004.                        |  |                             |
| d   |                       |                                 |  |                             |
| e All other expenses  | 431,475.              | 286,719.                        | 144,756.                               |                             |
| 25 <b>Total functional expenses.</b> Add lines 1 through 24e  | 11,647,766.           | 9,712,915.                      | 1,934,851.                             | 0.                          |
| 26 <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.                              |                       |                                 |  |                             |

Check here  if following SOP 98-2 (ASC 958-720)

**Part X Balance Sheet**

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

|   |  | (A)<br>Beginning of year |            | (B)<br>End of year |
|---|--|--------------------------|------------|--------------------|
| <b>Assets</b>   | <b>1</b> Cash - non-interest-bearing .....   |                          | <b>1</b>   |                    |
|   | <b>2</b> Savings and temporary cash investments .....  | 556,737.                 | <b>2</b>   | 1,020,464.         |
|   | <b>3</b> Pledges and grants receivable, net .....  |                          | <b>3</b>   |                    |
|   | <b>4</b> Accounts receivable, net .....  | 687,531.                 | <b>4</b>   | 1,073,605.         |
|   | <b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L .....   |                          | <b>5</b>   |                    |
|   | <b>6</b> 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 instr). Complete Part II of Sch L ..... |                          | <b>6</b>   |                    |
|   | <b>7</b> Notes and loans receivable, net .....   |                          | <b>7</b>   |                    |
|   | <b>8</b> Inventories for sale or use .....   | 258,272.                 | <b>8</b>   | 239,725.           |
|   | <b>9</b> Prepaid expenses and deferred charges .....   | 131,670.                 | <b>9</b>   | 152,383.           |
|   | <b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D .....   | <b>10a</b> 7,575,977.    |            |                    |
|   | <b>b</b> Less: accumulated depreciation .....  | <b>10b</b> 5,122,963.    | <b>10c</b> | 2,453,014.         |
|   | <b>11</b> Investments - publicly traded securities .....   |                          | <b>11</b>  |                    |
|   | <b>12</b> Investments - other securities. See Part IV, line 11 .....   | 392,877.                 | <b>12</b>  | 483,419.           |
|   | <b>13</b> Investments - program-related. See Part IV, line 11 .....  | 156,868.                 | <b>13</b>  | 2,200.             |
|   | <b>14</b> Intangible assets .....  |                          | <b>14</b>  |                    |
|   | <b>15</b> Other assets. See Part IV, line 11 .....   | 1,089.                   | <b>15</b>  | 3,304.             |
| <b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) ..... | 5,109,581.   | <b>16</b>                | 5,428,114. |                    |
| <b>Liabilities</b>  | <b>17</b> Accounts payable and accrued expenses .....  | 798,256.                 | <b>17</b>  | 736,016.           |
|   | <b>18</b> Grants payable .....   |                          | <b>18</b>  |                    |
|   | <b>19</b> Deferred revenue .....   |                          | <b>19</b>  |                    |
|   | <b>20</b> Tax-exempt bond liabilities .....  |                          | <b>20</b>  |                    |
|   | <b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D .....  |                          | <b>21</b>  |                    |
|   | <b>22</b> 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 .....   |                          | <b>22</b>  |                    |
|   | <b>23</b> Secured mortgages and notes payable to unrelated third parties .....   | 107,642.                 | <b>23</b>  | 13,967.            |
|   | <b>24</b> Unsecured notes and loans payable to unrelated third parties .....   | 1,937,018.               | <b>24</b>  | 1,933,838.         |
|   | <b>25</b> Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D .....  | 2,072,172.               | <b>25</b>  | 3,073,623.         |
|   | <b>26 Total liabilities.</b> Add lines 17 through 25 .....   | 4,915,088.               | <b>26</b>  | 5,757,444.         |
| <b>Net Assets or Fund Balances</b>  | <b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>  |                          |            |                    |
|   | <b>27</b> Unrestricted net assets .....  | -125,076.                | <b>27</b>  | -703,710.          |
|   | <b>28</b> Temporarily restricted net assets .....  | 111,801.                 | <b>28</b>  | 166,612.           |
|   | <b>29</b> Permanently restricted net assets .....  | 207,768.                 | <b>29</b>  | 207,768.           |
|   | <b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>   |                          |            |                    |
|   | <b>30</b> Capital stock or trust principal, or current funds .....   |                          | <b>30</b>  |                    |
|   | <b>31</b> Paid-in or capital surplus, or land, building, or equipment fund .....   |                          | <b>31</b>  |                    |
|   | <b>32</b> Retained earnings, endowment, accumulated income, or other funds .....   |                          | <b>32</b>  |                    |
| <b>33</b> Total net assets or fund balances .....                         | 194,493.   | <b>33</b>                | -329,330.  |                    |
| <b>34</b> Total liabilities and net assets/fund balances .....            | 5,109,581.   | <b>34</b>                | 5,428,114. |                    |

**Part XI Reconciliation of Net Assets**

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

|    |  |    |             |
|----|--|----|-------------|
| 1  | Total revenue (must equal Part VIII, column (A), line 12)  | 1  | 11,226,665. |
| 2  | Total expenses (must equal Part IX, column (A), line 25)   | 2  | 11,647,766. |
| 3  | Revenue less expenses. Subtract line 2 from line 1   | 3  | -421,101.   |
| 4  | Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))                      | 4  | 194,493.    |
| 5  | Net unrealized gains (losses) on investments   | 5  | 2,466.      |
| 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  | -105,188.   |
| 10 | Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B)) | 10 | -329,330.   |

**Part XII Financial Statements and Reporting**

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

|   |  | Yes | No |
|---|--|-----|----|
| 1   | Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other   |     |    |
| If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.   |  |     |    |
| 2a  | Were the organization's financial statements compiled or reviewed by an independent accountant?  |     | X  |
| If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: |  |     |    |
| <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis                 |  |     |    |
| b   | Were the organization's financial statements audited by an independent accountant?   | X   |    |
| If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:              |  |     |    |
| <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis      |  |     |    |
| 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? | X   |    |
| 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?   |     | X  |
| 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     |     |    |

SCHEDULE A
(Form 990 or 990-EZ)

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.

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

OMB No. 1545-0047

2016

Open to Public Inspection

Name of the organization: Avera Tyler
Employer identification number: 41-0853163

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 12, 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 (Form 990 or 990-EZ).)
3 X 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 agricultural research organization described in section 170(b)(1)(A)(ix) operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university:
10 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.)
11 An organization organized and operated exclusively to test for public safety. See section 509(a)(4).
12 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 in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
a Type I. A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. You must complete Part IV, Sections A and B.
b Type II. A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). You must complete Part IV, Sections A and C.
c Type III functionally integrated. A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). You must complete Part IV, Sections A, D, and E.
d Type III non-functionally integrated. A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). You must complete Part IV, Sections A and D, and Part V.
e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
f Enter the number of supported organizations
g Provide the following information about the supported organization(s).

Table with 6 columns: (i) Name of supported organization, (ii) EIN, (iii) Type of organization (described on lines 1-10 above (see instructions)), (iv) Is the organization listed in your governing document? (Yes/No), (v) Amount of monetary support (see instructions), (vi) Amount of other support (see instructions). Includes a Total row at the bottom.

**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) 2012 | (b) 2013 | (c) 2014 | (d) 2015 | (e) 2016 | (f) Total |
|--|----------|----------|----------|----------|----------|-----------|
| <b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....  |          |          |          |          |          |           |
| <b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....   |          |          |          |          |          |           |
| <b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge ...   |          |          |          |          |          |           |
| <b>4 Total.</b> Add lines 1 through 3 .....  |          |          |          |          |          |           |
| <b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) ..... |          |          |          |          |          |           |
| <b>6 Public support.</b> Subtract line 5 from line 4.  |          |          |          |          |          |           |

**Section B. Total Support**

| Calendar year (or fiscal year beginning in) ►  | (a) 2012 | (b) 2013 | (c) 2014 | (d) 2015 | (e) 2016 | (f) Total                |
|--|----------|----------|----------|----------|----------|--------------------------|
| <b>7</b> Amounts from line 4 .....   |          |          |          |          |          |                          |
| <b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources ...  |          |          |          |          |          |                          |
| <b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on ...  |          |          |          |          |          |                          |
| <b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....  |          |          |          |          |          |                          |
| <b>11 Total support.</b> Add lines 7 through 10  |          |          |          |          |          |                          |
| <b>12</b> Gross receipts from related activities, etc. (see instructions) .....  |          |          |          |          | 12       |                          |
| <b>13 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> ..... |          |          |          |          |          | <input type="checkbox"/> |

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

|   |    |                          |
|---|----|--------------------------|
| <b>14</b> Public support percentage for 2016 (line 6, column (f) divided by line 11, column (f)) .....  | 14 | %                        |
| <b>15</b> Public support percentage from 2015 Schedule A, Part II, line 14 .....  | 15 | %                        |
| <b>16a 33 1/3% support test - 2016.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....  |    | <input type="checkbox"/> |
| <b>b 33 1/3% support test - 2015.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....   |    | <input type="checkbox"/> |
| <b>17a 10% -facts-and-circumstances test - 2016.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....    |    | <input type="checkbox"/> |
| <b>b 10% -facts-and-circumstances test - 2015.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ..... |    | <input type="checkbox"/> |
| <b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions .....  |    | <input type="checkbox"/> |

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

(Complete only if you checked the box on line 10 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) 2012 | (b) 2013 | (c) 2014 | (d) 2015 | (e) 2016 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| <b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....   |          |          |          |          |          |           |
| <b>2</b> 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 ..... |          |          |          |          |          |           |
| <b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513 .....   |          |          |          |          |          |           |
| <b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....  |          |          |          |          |          |           |
| <b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....  |          |          |          |          |          |           |
| <b>6 Total.</b> Add lines 1 through 5 .....   |          |          |          |          |          |           |
| <b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons .....  |          |          |          |          |          |           |
| <b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year .....           |          |          |          |          |          |           |
| <b>c</b> Add lines 7a and 7b .....  |          |          |          |          |          |           |
| <b>8 Public support.</b> (Subtract line 7c from line 6.)  |          |          |          |          |          |           |

**Section B. Total Support**

| Calendar year (or fiscal year beginning in) ►   | (a) 2012 | (b) 2013 | (c) 2014 | (d) 2015 | (e) 2016 | (f) Total |
|---|----------|----------|----------|----------|----------|-----------|
| <b>9</b> Amounts from line 6 .....  |          |          |          |          |          |           |
| <b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources ..... |          |          |          |          |          |           |
| <b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 .....                          |          |          |          |          |          |           |
| <b>c</b> Add lines 10a and 10b .....  |          |          |          |          |          |           |
| <b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on .....     |          |          |          |          |          |           |
| <b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....                                 |          |          |          |          |          |           |
| <b>13 Total support.</b> (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 section 501(c)(3) organization, check this box and **stop here**

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

|  |           |   |
|--|-----------|---|
| <b>15</b> Public support percentage for 2016 (line 8, column (f) divided by line 13, column (f)) ..... | <b>15</b> | % |
| <b>16</b> Public support percentage from 2015 Schedule A, Part III, line 15 .....                      | <b>16</b> | % |

**Section D. Computation of Investment Income Percentage**

|   |           |   |
|---|-----------|---|
| <b>17</b> Investment income percentage for 2016 (line 10c, column (f) divided by line 13, column (f)) ..... | <b>17</b> | % |
| <b>18</b> Investment income percentage from 2015 Schedule A, Part III, line 17 .....                        | <b>18</b> | % |

**19a 33 1/3% support tests - 2016.** 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 - 2015.** 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 Supporting Organizations**

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

|  | Yes | No |
|--|-----|----|
| <b>1</b> Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>  |     |    |
| <b>2</b> Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>   |     |    |
| <b>3a</b> Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>   |     |    |
| <b>b</b> Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>   |     |    |
| <b>c</b> Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>  |     |    |
| <b>4a</b> Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>  |     |    |
| <b>b</b> Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>  |     |    |
| <b>c</b> Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>   |     |    |
| <b>5a</b> Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i> |     |    |
| <b>b Type I or Type II only.</b> Was any added or substituted supported organization part of a class already designated in the organization's organizing document?   |     |    |
| <b>c Substitutions only.</b> Was the substitution the result of an event beyond the organization's control?  |     |    |
| <b>6</b> Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>  |     |    |
| <b>7</b> Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>   |     |    |
| <b>8</b> Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>  |     |    |
| <b>9a</b> Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>  |     |    |
| <b>b</b> Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>  |     |    |
| <b>c</b> Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>   |     |    |
| <b>10a</b> Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>   |     |    |
| <b>b</b> Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>   |     |    |

**Part IV Supporting Organizations** (continued)

|  | Yes | No |
|--|-----|----|
| <b>11</b> Has the organization accepted a gift or contribution from any of the following persons?  |     |    |
| <b>a</b> A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization? |     |    |
| <b>b</b> A family member of a person described in (a) above?   |     |    |
| <b>c</b> A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in <b>Part VI</b> .                                       |     |    |

**Section B. Type I Supporting Organizations**

|   | Yes | No |
|---|-----|----|
| <b>1</b> Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in <b>Part VI</b> how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year. |     |    |
| <b>2</b> Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in <b>Part VI</b> how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.   |     |    |

**Section C. Type II Supporting Organizations**

|  | Yes | No |
|--|-----|----|
| <b>1</b> Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in <b>Part VI</b> how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s). |     |    |

**Section D. All Type III Supporting Organizations**

|   | Yes | No |
|---|-----|----|
| <b>1</b> Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided? |     |    |
| <b>2</b> Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in <b>Part VI</b> how the organization maintained a close and continuous working relationship with the supported organization(s).   |     |    |
| <b>3</b> By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in <b>Part VI</b> the role the organization's supported organizations played in this regard.  |     |    |

**Section E. Type III Functionally Integrated Supporting Organizations**

|   |  |  |
|---|--|--|
| <b>1</b> Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).  |  |  |
| <b>a</b> <input type="checkbox"/> The organization satisfied the Activities Test. Complete <b>line 2</b> below.   |  |  |
| <b>b</b> <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete <b>line 3</b> below.  |  |  |
| <b>c</b> <input type="checkbox"/> The organization supported a governmental entity. Describe in <b>Part VI</b> how you supported a government entity (see instructions).  |  |  |
| <b>2</b> Activities Test. Answer (a) and (b) below.   |  |  |
| <b>a</b> Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in <b>Part VI</b> identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities. |  |  |
| <b>b</b> Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in <b>Part VI</b> the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.  |  |  |
| <b>3</b> Parent of Supported Organizations. Answer (a) and (b) below.   |  |  |
| <b>a</b> Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in <b>Part VI</b> .   |  |  |
| <b>b</b> Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in <b>Part VI</b> the role played by the organization in this regard.   |  |  |

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

1  Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI.) **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

| <b>Section A - Adjusted Net Income</b> |  | (A) Prior Year | (B) Current Year (optional) |
|--|--|----------------|-----------------------------|
| 1                                      | Net short-term capital gain  | 1              |                             |
| 2                                      | Recoveries of prior-year distributions   | 2              |                             |
| 3                                      | Other gross income (see instructions)  | 3              |                             |
| 4                                      | Add lines 1 through 3  | 4              |                             |
| 5                                      | Depreciation and depletion   | 5              |                             |
| 6                                      | Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions) | 6              |                             |
| 7                                      | Other expenses (see instructions)  | 7              |                             |
| 8                                      | <b>Adjusted Net Income</b> (subtract lines 5, 6, and 7 from line 4)  | 8              |                             |

| <b>Section B - Minimum Asset Amount</b> |   | (A) Prior Year | (B) Current Year (optional) |
|---|---|----------------|-----------------------------|
| 1                                       | Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year): |                |                             |
| a                                       | Average monthly value of securities   | 1a             |                             |
| b                                       | Average monthly cash balances   | 1b             |                             |
| c                                       | Fair market value of other non-exempt-use assets  | 1c             |                             |
| d                                       | <b>Total</b> (add lines 1a, 1b, and 1c)   | 1d             |                             |
| e                                       | <b>Discount</b> claimed for blockage or other factors (explain in detail in <b>Part VI</b> ):                                   |                |                             |
| 2                                       | Acquisition indebtedness applicable to non-exempt-use assets  | 2              |                             |
| 3                                       | Subtract line 2 from line 1d  | 3              |                             |
| 4                                       | Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions)                                  | 4              |                             |
| 5                                       | Net value of non-exempt-use assets (subtract line 4 from line 3)  | 5              |                             |
| 6                                       | Multiply line 5 by .035   | 6              |                             |
| 7                                       | Recoveries of prior-year distributions  | 7              |                             |
| 8                                       | <b>Minimum Asset Amount</b> (add line 7 to line 6)  | 8              |                             |

| <b>Section C - Distributable Amount</b> |   |   | Current Year |
|---|---|---|--------------|
| 1                                       | Adjusted net income for prior year (from Section A, line 8, Column A)   | 1 |              |
| 2                                       | Enter 85% of line 1   | 2 |              |
| 3                                       | Minimum asset amount for prior year (from Section B, line 8, Column A)  | 3 |              |
| 4                                       | Enter greater of line 2 or line 3   | 4 |              |
| 5                                       | Income tax imposed in prior year  | 5 |              |
| 6                                       | <b>Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)  | 6 |              |
| 7                                       | <input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions). |   |              |

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations** (continued)

| <b>Section D - Distributions</b>   | <b>Current Year</b> |
|--|---------------------|
| <b>1</b> Amounts paid to supported organizations to accomplish exempt purposes   |                     |
| <b>2</b> Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity             |                     |
| <b>3</b> Administrative expenses paid to accomplish exempt purposes of supported organizations   |                     |
| <b>4</b> Amounts paid to acquire exempt-use assets   |                     |
| <b>5</b> Qualified set-aside amounts (prior IRS approval required)   |                     |
| <b>6</b> Other distributions (describe in <b>Part VI</b> ). See instructions   |                     |
| <b>7 Total annual distributions.</b> Add lines 1 through 6   |                     |
| <b>8</b> Distributions to attentive supported organizations to which the organization is responsive (provide details in <b>Part VI</b> ). See instructions |                     |
| <b>9</b> Distributable amount for 2016 from Section C, line 6  |                     |
| <b>10</b> Line 8 amount divided by Line 9 amount   |                     |

| <b>Section E - Distribution Allocations (see instructions)</b>  | <b>(i)<br/>Excess Distributions</b> | <b>(ii)<br/>Underdistributions<br/>Pre-2016</b> | <b>(iii)<br/>Distributable<br/>Amount for 2016</b> |
|---|-------------------------------------|---|--|
| <b>1</b> Distributable amount for 2016 from Section C, line 6   |                                     |   |  |
| <b>2</b> Underdistributions, if any, for years prior to 2016 (reasonable cause required- explain in Part VI). See instructions  |                                     |   |  |
| <b>3</b> Excess distributions carryover, if any, to 2016:   |                                     |   |  |
| <b>a</b>  |                                     |   |  |
| <b>b</b>  |                                     |   |  |
| <b>c</b> From 2013  |                                     |   |  |
| <b>d</b> From 2014  |                                     |   |  |
| <b>e</b> From 2015  |                                     |   |  |
| <b>f Total</b> of lines 3a through e  |                                     |   |  |
| <b>g</b> Applied to underdistributions of prior years   |                                     |   |  |
| <b>h</b> Applied to 2016 distributable amount   |                                     |   |  |
| <b>i</b> Carryover from 2011 not applied (see instructions)   |                                     |   |  |
| <b>j</b> Remainder. Subtract lines 3g, 3h, and 3i from 3f.  |                                     |   |  |
| <b>4</b> Distributions for 2016 from Section D, line 7: \$  |                                     |   |  |
| <b>a</b> Applied to underdistributions of prior years   |                                     |   |  |
| <b>b</b> Applied to 2016 distributable amount   |                                     |   |  |
| <b>c</b> Remainder. Subtract lines 4a and 4b from 4   |                                     |   |  |
| <b>5</b> Remaining underdistributions for years prior to 2016, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions |                                     |   |  |
| <b>6</b> Remaining underdistributions for 2016. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions                        |                                     |   |  |
| <b>7 Excess distributions carryover to 2017.</b> Add lines 3j and 4c  |                                     |   |  |
| <b>8</b> Breakdown of line 7:   |                                     |   |  |
| <b>a</b>  |                                     |   |  |
| <b>b</b> Excess from 2013   |                                     |   |  |
| <b>c</b> Excess from 2014   |                                     |   |  |
| <b>d</b> Excess from 2015   |                                     |   |  |
| <b>e</b> Excess from 2016   |                                     |   |  |



**SCHEDULE D**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Financial Statements**

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

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

OMB No. 1545-0047

**2016**

**Open to Public Inspection**

**Name of the organization** Avera Tyler **Employer identification number** 41-0853163

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

|   | (a) Donor advised funds | (b) Funds and other accounts                             |
|---|-------------------------|--|
| 1 Total number at end of year .....   |                         |  |
| 2 Aggregate value of contributions to (during year) .....   |                         |  |
| 3 Aggregate value of 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? .....  |                         | <input type="checkbox"/> Yes <input type="checkbox"/> 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? ..... |                         | <input type="checkbox"/> Yes <input type="checkbox"/> No |

**Part II Conservation Easements.** Complete if the organization answered "Yes" on 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 a 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 Tax 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? .....

6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, 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)? .....

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" on 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) Revenue included on 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 Revenue included on 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" on 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    |
|--|-----------|
| <b>c</b> Beginning balance .....             | <b>1c</b> |
| <b>d</b> Additions during the year .....     | <b>1d</b> |
| <b>e</b> Distributions during the year ..... | <b>1e</b> |
| <b>f</b> Ending balance .....                | <b>1f</b> |
- 2a** Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability?  Yes  No
- b** If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

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

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

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

- a** Board designated or quasi-endowment ▶ \_\_\_\_\_ %
- b** Permanent endowment ▶ \_\_\_\_\_ %
- c** Temporarily restricted endowment ▶ \_\_\_\_\_ %

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

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

- (i)** unrelated organizations .....
- (ii)** related organizations .....

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

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

**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" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

| Description of property  | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|---------------------------------|------------------------------|----------------|
| <b>1a</b> Land .....   |                                      | 157,440.                        |                              | 157,440.       |
| <b>b</b> Buildings .....   |                                      | 1,937,800.                      | 1,018,780.                   | 919,020.       |
| <b>c</b> Leasehold improvements .....  |                                      |                                 |                              |                |
| <b>d</b> Equipment .....   |                                      | 5,341,060.                      | 4,007,434.                   | 1,333,626.     |
| <b>e</b> Other .....   |                                      | 139,677.                        | 96,749.                      | 42,928.        |
| <b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.) ..... |                                      |                                 |                              | 2,453,014.     |

**Part VII Investments - Other Securities.**

Complete if the organization answered "Yes" on 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) Pooled Investments  | 76,793.         | End-of-Year Market Value                                  |
| (B) Investment in Avera   |                 |   |
| (C) Health Foundation   | 406,626.        | End-of-Year Market Value                                  |
| (D)   |                 |   |
| (E)   |                 |   |
| (F)   |                 |   |
| (G)   |                 |   |
| (H)   |                 |   |
| <b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶ | <b>483,419.</b> |   |

**Part VIII Investments - Program Related.**

Complete if the organization answered "Yes" on 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 |
|---|----------------|---|
| (1)   |                |   |
| (2)   |                |   |
| (3)   |                |   |
| (4)   |                |   |
| (5)   |                |   |
| (6)   |                |   |
| (7)   |                |   |
| (8)   |                |   |
| (9)   |                |   |
| <b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶ |                |   |

**Part IX Other Assets.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

| (a) Description   | (b) Book value |
|---|----------------|
| (1)   |                |
| (2)   |                |
| (3)   |                |
| (4)   |                |
| (5)   |                |
| (6)   |                |
| (7)   |                |
| (8)   |                |
| (9)   |                |
| <b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶ |                |

**Part X Other Liabilities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

| 1. (a) Description of liability   | (b) Book value    |
|---|-------------------|
| (1) Federal income taxes  |                   |
| (2) Third Party Payor Settlements   | 346,015.          |
| (3) Due to Avera Marshall   | 2,727,608.        |
| (4)   |                   |
| (5)   |                   |
| (6)   |                   |
| (7)   |                   |
| (8)   |                   |
| (9)   |                   |
| <b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶ | <b>3,073,623.</b> |

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



**Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

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

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

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

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

**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.

**Part X, Line 2:**

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

Avera Health and its sponsored organizations believe that they have

**Part XIII** Supplemental Information (continued)

appropriate support for any tax positions taken affecting its annual  
filing requirements, and as such, does not have any uncertain tax  
positions that are material to the financial statements. The Organization  
would recognize future accrued interest and penalties related to  
unrecognized tax benefits and liabilities in income tax expense if such  
interest and penalties are incurred. The federal Form 990T filings and  
taxable subsidiary returns for consolidated subsidiaries are no longer  
subject to federal tax examinations by tax authorities for years before  
2014.

**SCHEDULE H  
(Form 990)**

**Hospitals**

OMB No. 1545-0047

**2016**

Department of the Treasury  
Internal Revenue Service

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, question 20.
- ▶ Attach to Form 990.
- ▶ Information about Schedule H (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Open to Public Inspection

Name of the organization **Avera Tyler** Employer identification number **41-0853163**

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

|  | Yes                                 | No                                  |
|--|-------------------------------------|-------------------------------------|
| <b>1a</b> Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .....  | <input checked="" type="checkbox"/> |                                     |
| <b>b</b> If "Yes," was it a written policy? .....  | <input checked="" type="checkbox"/> |                                     |
| <b>2</b> 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.<br><input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities<br><input type="checkbox"/> Generally tailored to individual hospital facilities |                                     |                                     |
| <b>3</b> 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.  |                                     |                                     |
| <b>a</b> Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care?<br>If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: .....  | <input checked="" type="checkbox"/> |                                     |
| <input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  |                                     |                                     |
| <b>b</b> Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: .....  | <input checked="" type="checkbox"/> |                                     |
| <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  |                                     |                                     |
| <b>c</b> If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used 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.   |                                     |                                     |
| <b>4</b> 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"?  | <input checked="" type="checkbox"/> |                                     |
| <b>5a</b> Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?  | <input checked="" type="checkbox"/> |                                     |
| <b>b</b> If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?  |                                     | <input checked="" type="checkbox"/> |
| <b>c</b> If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?  |                                     |                                     |
| <b>6a</b> Did the organization prepare a community benefit report during the tax year?   | <input checked="" type="checkbox"/> |                                     |
| <b>b</b> If "Yes," did the organization make it available to the public?   | <input checked="" type="checkbox"/> |                                     |

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**

|  | (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 |
|--|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| <b>Financial Assistance and Means-Tested Government Programs</b>   |   |                               |                                     |                               |                                   |                              |
| <b>a</b> Financial Assistance at cost (from Worksheet 1) .....   |   |                               | 67,115.                             |                               | 67,115.                           | .58%                         |
| <b>b</b> Medicaid (from Worksheet 3, column a) .....   |   |                               | 1788261.                            | 1450906.                      | 337,355.                          | 2.93%                        |
| <b>c</b> Costs of other means-tested government programs (from Worksheet 3, column b) .....              |   |                               |                                     |                               |                                   |                              |
| <b>d Total</b> Financial Assistance and Means-Tested Government Programs .....                           |   |                               | 1855376.                            | 1450906.                      | 404,470.                          | 3.51%                        |
| <b>Other Benefits</b>  |   |                               |                                     |                               |                                   |                              |
| <b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) ..... |   |                               |                                     |                               |                                   |                              |
| <b>f</b> Health professions education (from Worksheet 5) .....   |   |                               |                                     |                               |                                   |                              |
| <b>g</b> Subsidized health services (from Worksheet 6) .....   |   |                               | 2912531.                            | 1380024.                      | 1532507.                          | 13.30%                       |
| <b>h</b> Research (from Worksheet 7) .....   |   |                               |                                     |                               |                                   |                              |
| <b>i</b> Cash and in-kind contributions for community benefit (from Worksheet 8) .....                   |   |                               |                                     |                               |                                   |                              |
| <b>j Total.</b> Other Benefits .....   |   |                               | 2912531.                            | 1380024.                      | 1532507.                          | 13.30%                       |
| <b>k Total.</b> Add lines 7d and 7j .....  |   |                               | 4767907.                            | 2830930.                      | 1936977.                          | 16.81%                       |

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

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

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

**Section A. Bad Debt Expense**

|          |  |          | Yes        | No |
|----------|--|----------|------------|----|
| <b>1</b> | Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?  |          | <b>1</b> X |    |
| <b>2</b> | Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount   |          |            |    |
|          | <b>2</b>   | 121,004. |            |    |
| <b>3</b> | 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 |          |            |    |
|          | <b>3</b>   | 0.       |            |    |
| <b>4</b> | 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**

|          |   |          |            |
|----------|---|----------|------------|
| <b>5</b> | Enter total revenue received from Medicare (including DSH and IME)  | <b>5</b> | 3,128,491. |
| <b>6</b> | Enter Medicare allowable costs of care relating to payments on line 5   | <b>6</b> | 3,144,630. |
| <b>7</b> | Subtract line 6 from line 5. This is the surplus (or shortfall)   | <b>7</b> | -16,139.   |
| <b>8</b> | 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:<br><input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other |          |            |

**Section C. Collection Practices**

|           |   |           |   |  |
|-----------|---|-----------|---|--|
| <b>9a</b> | Did the organization have a written debt collection policy during the tax year?   | <b>9a</b> | X |  |
| <b>b</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 | <b>9b</b> | X |  |

**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 % |
|--------------------|---|--|--|---|
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Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

Table with 9 columns: Licensed hospital, Gen. medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, Other (describe), Facility reporting group. Row 1: 1 Avera Tyler, 240 Willow St, Tyler, MN 56178, www.avera.org/tyler/371548, X, X, X, X, Rural health clinics in Tyler and Lake Benton.

**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 letter of facility reporting group Avera Tyler

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

|  | Yes | No |
|--|-----|----|
| <b>Community Health Needs Assessment</b>   |     |    |
| 1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year? .....   |     | X  |
| 2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C .....  |     | X  |
| 3 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 12 .....   | X   |    |
| If "Yes," indicate what the CHNA report describes (check all that apply):  |     |    |
| a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility  |     |    |
| b <input checked="" type="checkbox"/> Demographics of the community  |     |    |
| c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community  |     |    |
| d <input checked="" type="checkbox"/> How data was obtained  |     |    |
| e <input checked="" type="checkbox"/> The significant health needs of the community  |     |    |
| f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups  |     |    |
| g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs  |     |    |
| h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests   |     |    |
| i <input checked="" type="checkbox"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s)  |     |    |
| j <input type="checkbox"/> Other (describe in Section C)   |     |    |
| 4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>15</u>  |     |    |
| 5 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 Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted ..... | X   |    |
| 6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C .....  |     | X  |
| b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C .....  |     | X  |
| 7 Did the hospital facility make its CHNA report widely available to the public? .....   | X   |    |
| If "Yes," indicate how the CHNA report was made widely available (check all that apply):   |     |    |
| a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>See Part V, Page 8</u>  |     |    |
| b <input checked="" type="checkbox"/> Other website (list url): <u>See Part V, Page 8</u>  |     |    |
| c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility  |     |    |
| d <input type="checkbox"/> Other (describe in Section C)   |     |    |
| 8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11 .....  | X   |    |
| 9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>15</u>  |     |    |
| 10 Is the hospital facility's most recently adopted implementation strategy posted on a website? .....   | X   |    |
| a If "Yes," (list url): <u>See Part V, Page 8</u>  |     |    |
| b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return? .....   |     |    |
| 11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.  |     |    |
| 12a 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)? .....  |     | X  |
| b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax? .....   |     |    |
| c If "Yes" to line 12b, 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 (FAP)**

Name of hospital facility or letter of facility reporting group Avera Tyler

|  | Yes      | No |
|--|----------|----|
| Did the hospital facility have in place during the tax year a written financial assistance policy that:  |          |    |
| <b>13</b> Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? .....   | <b>X</b> |    |
| If "Yes," indicate the eligibility criteria explained in the FAP:  |          |    |
| <b>a</b> <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>150</u> %<br>and FPG family income limit for eligibility for discounted care of <u>400</u> %   |          |    |
| <b>b</b> <input type="checkbox"/> Income level other than FPG (describe in Section C)  |          |    |
| <b>c</b> <input checked="" type="checkbox"/> Asset level   |          |    |
| <b>d</b> <input checked="" type="checkbox"/> Medical indigency   |          |    |
| <b>e</b> <input checked="" type="checkbox"/> Insurance status  |          |    |
| <b>f</b> <input type="checkbox"/> Underinsurance status  |          |    |
| <b>g</b> <input type="checkbox"/> Residency  |          |    |
| <b>h</b> <input checked="" type="checkbox"/> Other (describe in Section C)   |          |    |
| <b>14</b> Explained the basis for calculating amounts charged to patients? .....   | <b>X</b> |    |
| <b>15</b> Explained the method for applying for financial assistance? .....  | <b>X</b> |    |
| If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):  |          |    |
| <b>a</b> <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application  |          |    |
| <b>b</b> <input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application  |          |    |
| <b>c</b> <input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process  |          |    |
| <b>d</b> <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications   |          |    |
| <b>e</b> <input type="checkbox"/> Other (describe in Section C)  |          |    |
| <b>16</b> Was widely publicized within the community served by the hospital facility? .....  | <b>X</b> |    |
| If "Yes," indicate how the hospital facility publicized the policy (check all that apply):   |          |    |
| <b>a</b> <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>See Part V, Page 8</u>   |          |    |
| <b>b</b> <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>See Part V, Page 8</u>  |          |    |
| <b>c</b> <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>See Part V, Page 8</u>   |          |    |
| <b>d</b> <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)  |          |    |
| <b>e</b> <input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)   |          |    |
| <b>f</b> <input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)  |          |    |
| <b>g</b> <input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention |          |    |
| <b>h</b> <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP   |          |    |
| <b>i</b> <input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by LEP populations   |          |    |
| <b>j</b> <input checked="" type="checkbox"/> Other (describe in Section C)   |          |    |

**Part V Facility Information** (continued)

**Billing and Collections**

Name of hospital facility or letter of facility reporting group Avera Tyler

|   | Yes | No |
|---|-----|----|
| <b>17</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment? ..... | X   |    |
| <b>18</b> Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:                            |     |    |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency(ies)   |     |    |
| <b>b</b> <input type="checkbox"/> Selling an individual's debt to another party   |     |    |
| <b>c</b> <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP  |     |    |
| <b>d</b> <input type="checkbox"/> Actions that require a legal or judicial process  |     |    |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)   |     |    |
| <b>f</b> <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted  |     |    |
| <b>19</b> Did the hospital facility or other authorized 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? .....   |     | X  |
| If "Yes," check all actions in which the hospital facility or a third party engaged:  |     |    |
| <b>a</b> <input type="checkbox"/> Reporting to credit agency(ies)   |     |    |
| <b>b</b> <input type="checkbox"/> Selling an individual's debt to another party   |     |    |
| <b>c</b> <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP  |     |    |
| <b>d</b> <input type="checkbox"/> Actions that require a legal or judicial process  |     |    |
| <b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)   |     |    |
| <b>20</b> Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):   |     |    |
| <b>a</b> <input checked="" type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs  |     |    |
| <b>b</b> <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process  |     |    |
| <b>c</b> <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications   |     |    |
| <b>d</b> <input checked="" type="checkbox"/> Made presumptive eligibility determinations  |     |    |
| <b>e</b> <input checked="" type="checkbox"/> Other (describe in Section C)  |     |    |
| <b>f</b> <input type="checkbox"/> None of these efforts were made   |     |    |

**Policy Relating to Emergency Medical Care**

|   |    |   |  |
|---|----|---|--|
| <b>21</b> Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required 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? ..... | 21 | X |  |
| If "No," indicate why:  |    |   |  |
| <b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions   |    |   |  |
| <b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing   |    |   |  |
| <b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)   |    |   |  |
| <b>d</b> <input type="checkbox"/> Other (describe in Section C)   |    |   |  |



**Part V Facility Information** *(continued)*

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

Name of hospital facility or letter of facility reporting group Avera Tyler

|           |   | Yes       | No       |
|-----------|---|-----------|----------|
| <b>22</b> | Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.  |           |          |
| <b>a</b>  | <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period   |           |          |
| <b>b</b>  | <input checked="" type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period   |           |          |
| <b>c</b>  | <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period                              |           |          |
| <b>d</b>  | <input type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method   |           |          |
| <b>23</b> | During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? .....<br>If "Yes," explain in Section C. | <b>23</b> | <b>X</b> |
| <b>24</b> | During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? .....<br>If "Yes," explain in Section C.   | <b>24</b> | <b>X</b> |

**Part V Facility Information** (continued)

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

Avera Tyler:

Part V, Section B, Line 5: The Avera Tyler Community Health Needs

Assessment (CHNA) was conducted in collaboration and partnership with community members, community organizations, stakeholders from local public health and internal stakeholders. These partners assisted in the development and analysis of assessment information through a series of data collection processes and a community forum. In addition, Avera Tyler acquired the consultant services of Andrea Fox Jensen to provide a more comprehensive look into the social determinants of health and wellness in the communities we serve.

Avera Tyler:

Part V, Section B, Line 11: The three priorities and goals identified from the CHNA assessment were:

1) Mental Health

a) Goal: Provide access to a full spectrum of mental health services. Provide a collaborative care model involving primary care, mid-level mental health professionals, and qualified community agencies.

2) Eldercare and Memory Care Services

a) Goal: Provide access to a full spectrum of Elder Care Services with partnerships with clinics, health providers, public health, employers, schools, civic leaders, police/fire and regional elder care services providers.

3) Coordination of Care

a) Goal: Optimize access and coordination of care throughout continuum and

**Part V Facility Information** (continued)

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

to accomplish shared goals within and across care setting through enhanced access to care services with a consistent care team approach.

Here are the 6/30/17 updates:

**1. Mental Health**

a. Avera Tyler has worked towards a closer relationship with Avera Marshall Behavioral Health as a place to go for best practices in regards to the mental health process for the facility. On top of that, Avera Tyler has hosted and facilitated meetings and communications with all Lincoln EMS providers and law enforcement to ensure all units were on the same page and offering consistency in care in mental illness cases. Those meetings are ongoing.

**2. Elder Care Services**

a. Avera Tyler has been diligent in its elder care services by advancing capabilities in this discipline to ensure all caregivers have enhanced training and are working to their capacity. In order to continue the advancement of elder care services, Avera Tyler implemented a telehealth program, called eLong-Term Care, through the Avera eservices. This has enhanced our resident experience through the use of technology and was implemented to provide appropriate care in the comfort of our resident's home, and not through the emergency room when at all possible. Another change to the long-term care services offered, Avera Tyler will be de-licensing eight (8) beds, bringing their capacity to 30 beds. This will allow for the creation of more private rooms for resident satisfaction purposes. Lastly, a process we are meeting to operationalize is daily rounding with a list of providers to provide daily cares for residents

**Part V Facility Information** (continued)

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

that are in need.

3.Coordination of Care

a.As of January 1, 2018, Avera Tyler will join an Accountable Care Organization, which offers the resources of coordinated care to the providers. This is to ensure a team-based care delivery program. The expectation is the program will provide for a more highly functional team.

Avera Tyler:

Part V, Section B, Line 13h: Presumptive charity care may be applied in situations where all other avenues of financial assistance have been exhausted. The facility has the discretion to weigh extenuating circumstances when determining eligibility for and the amount of charity care to provide.

Avera Tyler

Part V, line 16a, FAP website:

<http://www.avera.org/experience/ah/financial-assistance-charity-care/>

Avera Tyler

Part V, line 16b, FAP Application website:

<http://www.avera.org/experience/ah/financial-assistance-charity-care/>

Avera Tyler

Part V, line 16c, FAP Plain Language Summary website:

<http://www.avera.org/experience/ah/financial-assistance-charity-care/>

**Part V Facility Information** (continued)

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

Avera Tyler:

Part V, Section B, Line 16j: A summary of the financial assistance policy is posted in the hospital facility's emergency rooms, waiting rooms, and admissions office and included on the billing statement. In addition, the financial assistance policy is discussed with the patient upon admission to the facility.

Avera Tyler:

Part V, Section B, Line 20e: If a patient is self-pay and has a large balance, an Avera patient advocate will help them apply for other forms of assistance. If they are not eligible for any other coverage, the patient is given a financial assistance application to complete and return to the facility.

Avera Tyler:

Part V, Section B, Line 24: Individuals eligible for financial assistance are not charged gross charges for emergency or other medically necessary care; however may be charged gross charges for elective care.

Schedule H, Part V, Section B, Line 7b:

<https://www.avera.org/about/community-health-needs-assessments/>

#tyler

**Part V** Facility Information *(continued)*

**Section C. Supplemental Information for Part V, Section B.** Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

Schedule H, Part V, Section B, Line 10a:

<https://www.avera.org/about/community-health-needs-assessments/>  
#tyler

Schedule H, Part V, Section B, Line 7a:

<https://www.avera.org/app/files/public/65510/2016-chna-tyler.pdf>

**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? 5

| Name and address   | Type of Facility (describe)                   |
|--|---|
| 1 Avera Sunrise Manor<br>240 Willow St<br>Tyler, MN 56178                        | Skilled nursing facility                      |
| 2 Tyler Home Care<br>240 Willow St<br>Tyler, MN 56178                            | Skilled home care services<br>(closed 3/1/17) |
| 3 Avera Medical Group Tyler<br>240 Willow St<br>Tyler, MN 56178                  | Medical clinic                                |
| 4 Avera Medical Group Lake Benton<br>109 East Benton St<br>Lake Benton, MN 56149 | Medical clinic                                |
| 5 Ridgeview Hospice<br>240 Willow St<br>Tyler, MN 56178                          | Hospice care (closed 3/1/17)                  |
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**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.

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Part I, Line 3c:

The methodology used to determine eligibility for financial assistance takes into consideration income, net assets, family size and resources available to pay for care. In addition, presumptive charity care may be applied in situations where all other avenues have been exhausted.

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Part I, Line 6a:

The Avera Tyler 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.

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Part I, Line 7:

Charity care on Line 7a was converted to cost using an overall cost-to-charge ratio addressing all patient segments. Unreimbursed Medicaid on line 7b was calculated using the costing methods to prepare the cost reports. The cost for subsidized health services reported on line 7g was determined using the Medicare Cost Report.



**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.
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- 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.

Part I, Ln 7 Col(f):

The bad debt expense included on Form 990, Part IX, Line 25, Column (A), but subtracted for purposes of calculating the percentage in this column is \$121,004.

Part III, Line 2:

Bad debt expense is reported net of discounts and contractual allowances. A payment on an account previously written off reduces bad debt expense in the current year.

Bad debt expense is reported at charges as recorded by the organization.

Part III, Line 3:

Avera Tyler 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

**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.
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- 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.

\_\_\_\_\_ days of the evaluation of the amount.

Part III, Line 4:

The footnote to the Organization's financial statements that describes bad debt expenses can be found on page 10 of the attached audited financial statements.

Part III, Line 8:

Avera Tyler provides services to patients under the Medicare program knowing they will not recover all the costs associated with providing these services. Providing these services is essential to these patients and the community and increases their access to healthcare services. Therefore, the Medicare shortfall is considered a community benefit.

Medicare allowable costs of care are based on the Medicare cost report. The Medicare cost report is completed based on the rules and regulations set forth by Centers for Medicare and Medicaid Services.

**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.
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- 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.

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**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 current self-pay collection policy guidelines and timeframes, the organization or its agent shall not send, nor intimate that it will send, the unpaid bill to any outside collection agency. Avera organizations will allow all individuals 120 days from the first post discharge statement to apply for financial assistance before sending the uncollected account to an outside collection agency. Avera will provide the patient with a statement or final notice that contains a listing of the specific collection action(s) it intends to initiate, and a deadline after which they may be initiated no earlier than 30 days before action is initiated. If the patient qualifies for 100% charity care, no further bills will be sent. A letter will be sent instead indicating that the patient's bill has been completely forgiven.

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**Part VI, Line 2:**

**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.

In addition to the CHNA, Avera Tyler identifies the needs of the community by providing topical and seasonal lectures within the community, performing outreach to other organizations (i.e. the high school), utilizing patient surveys, attending community events and stakeholder events to determine specific needs, and by having the professional medical staff determine needs based on their daily interactions with the community.

Part VI, Line 3:

Anyone who is uninsured receives a letter with their itemized bill which describes both the uninsured program and the financial assistance program. Any uninsured patient is contacted by phone or letter by a patient advocate at which time the programs are described. Also, inpatient and same day surgery patients receive a brochure in their admissions packet. Pre-collection letters also include information regarding the charity care and uninsured programs.

Part VI, Line 4:

**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.

Avera Tyler provides services to a community of about 6,000 people in Lincoln, Lyon, Murray, and Pipestone Counties. Lincoln County is considered to be the primary service area. A large portion of the population is over 65 years of age and is predominately white and English speaking.

Part VI, Line 5:

The organization's governing body is comprised of volunteer members who reside in the community. Medical staff privileges are extended to all qualified physicians in the community. Surplus funds are reinvested in facilities to improve patient care. Charity care is available for those with a diminished ability to pay. As a result of the mission statement, Avera Tyler provides numerous services which do not produce a profit. Examples are ambulance services and a 24/7 fully staffed emergency department.

Avera Tyler is very involved in the community. Avera Tyler's leadership team is encouraged to participate in civic and community organizations.

**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.
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- 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.

The leadership team is involved in the Tyler Area Community Club which sponsors events in the community such as "Band Shell Bazaar" which occurs on Wednesday evenings in August. This includes music entertainment, games for kids and includes a farmers market. Annually Avera Tyler has a hospice benefit. The proceeds are used to care for hospice patients and their families. Avera Tyler is also involved in the annual community celebration Aebleskiver Days which includes a parade. A booth for Avera Tyler at the Lincoln County Fair provides water to annual fair attendees.

Several support groups which include Caregivers Support Groups and Powerful Tools for Caregivers are sponsored at Avera Tyler. Avera Medical Group Tyler and Lake Benton providers provide many educational sessions for the Tyler community. Additionally health screens are provided free of charge by the Avera Medical Group staff.

Avera Tyler uses financial opportunities to further the technology used at the hospital in order to better serve their patients.

**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.
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- 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.

Part VI, Line 6:

The communities in which Avera operates all have unique health and community benefit needs and in keeping with the Catholic Healthcare Association guidelines each hospital strives to meet its community's identified needs. The Avera central office advocates for all on community benefit related matters of state, regional and nation importance.

**SCHEDULE J  
(Form 990)**

**Compensation Information**

OMB No. 1545-0047

**2016**

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

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990.

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

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

Name of the organization

**Avera Tyler**

Employer identification number

**41-0853163**

**Part I Questions Regarding Compensation**

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

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

**b** If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain .....

**2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a? .....

**3** Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

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

**4** During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment? .....
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan? .....
- c** Participate in, or receive payment from, an equity-based compensation arrangement? .....
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

**Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.**

**5** For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization? .....
- b** Any related organization? .....
- If "Yes" on line 5a or 5b, describe in Part III.

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

- a** The organization? .....
- b** Any related organization? .....
- If "Yes" on line 6a or 6b, describe in Part III.

**7** For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III .....

**8** Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III .....

**9** If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)? .....

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

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2016



**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 on 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 aren't 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 in column (B) reported as deferred on prior Form 990 |
|--|------|--|-------------------------------------|-------------------------------------|--|-------------------------|---------------------------------|---|
|  |      | (i) Base compensation                              | (ii) Bonus & incentive compensation | (iii) Other reportable compensation |  |                         |                                 |   |
| (1) Curtis Louwagie MD<br>Director/Ophthalmologist                   | (i)  | 0.   | 0.                                  | 0.                                  | 0.   | 0.                      | 0.                              | 0.  |
|  | (ii) | 640,404.   | 0.                                  | 1,960.                              | 5,300.   | 27,000.                 | 674,664.                        | 0.  |
| (2) Mary Maertens(ex-officio w/vote)<br>President/CEO Avera Marshall | (i)  | 0.   | 0.                                  | 0.                                  | 0.   | 0.                      | 0.                              | 0.  |
|  | (ii) | 391,247.   | 0.                                  | 5,280.                              | 5,300.   | 25,736.                 | 427,563.                        | 0.  |
| (3) Sharon Williams<br>VP Finance                                    | (i)  | 0.   | 0.                                  | 0.                                  | 0.   | 0.                      | 0.                              | 0.  |
|  | (ii) | 185,622.   | 0.                                  | 823.                                | 3,510.   | 25,188.                 | 215,143.                        | 0.  |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |
|  | (i)  |  |                                     |                                     |  |                         |                                 |   |
|  | (ii) |  |                                     |                                     |  |                         |                                 |   |

**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.

Schedule J, Part I, Line 3:

The President & CEO serves both Avera Marshall and Avera Tyler and was compensated by Avera Health. Avera Tyler relied on the related organization for determining the compensation for the President & CEO using the methods described in Part I, Line 3.

**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 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

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

OMB No. 1545-0047

**2016**

Open to Public  
Inspection

Name of the organization

Avera Tyler

Employer identification number

41-0853163

**Form 990, Part III, Line 2, New Program Services:**

Avera Tyler began offering sports medicine services to Russell - Tyler - Ruthton Schools. This includes an athletic trainer at many sporting events.

Added Candice Vanderplaats, CNP, to the AMG Tyler team in April 2017 to expand access to endocrinology care currently provided by Dr. Ocampo.

Dr. Ocampo expanded endocrinology services through outreach to Granite Falls, Minnesota.

Avera Marshall began providing specialty services in Tyler in the specialties of OB/GYN, pediatrics, orthopedics and general surgery.

**Form 990, Part III, Line 3, Changes in Program Services:**

Discontinued Saturday morning urgent care hours in May 2017 due to low utilization.

On March 1, 2017 the Tyler Home Care and Ridgeview Hospice activities were merged with the like services being performed in Marshall. The name was changed to d/b/a Avera@Home Southwest Minnesota and is operated by Avera Marshall, a related entity.

**Form 990, Part III, Line 4a, Program Service Accomplishments:**

Directors.

|   |  |
|---|--|
| Name of the organization<br>Avera Tyler | Employer identification number<br>41-0853163 |
|---|--|

For the fiscal year ending June 30, 2017 there were 7,933 clinic visits, 9,651 long term care resident days and 600 hospital inpatient days. The transition to the Avera system has begun to strengthen the financial status of the organization. The change in ownership has also renewed the community's interest in the organization. Avera Tyler will continue to strive to meet the needs of the community and the region.

Avera Tyler renewed its Trauma 4 designation in July 2016.

Avera Sunrise Manor added access to Avera eLong Term Care (telemedicine) to provide residents access to providers 24/7 without leaving the long term care facility.

The operating room was remodeled during the fiscal year in anticipation of increased volumes due to increasing specialty physicians seeing patients in Tyler on a routine basis.

Form 990, Part VI, Section A, line 1:

The Executive Committee is subject to the direction of the Board of Directors. However, in the case of an emergency, the Executive Committee may exercise all the powers of the board provided that any actions taken shall be reported to the board as quickly as possible. The Chair, Vice-Chair, and Past Chair will make up the composition of the Executive Committee. The President/CEO will serve as a non-voting, ex-officio member of the Executive Committee.

Form 990, Part VI, Section A, line 2:

Mary Maertens has a business relationship with Sr. Mary J. Reichelt.

|   |  |
|---|--|
| Name of the organization<br>Avera Tyler | Employer identification number<br>41-0853163 |
|---|--|

Form 990, Part VI, Section A, line 6:

The Member of this Corporation shall be Avera Marshall, a nonprofit corporation organized and existing under the laws of the State of Minnesota.

Form 990, Part VI, Section A, line 7a:

Avera Marshall is the sole member, for Avera Tyler.

Avera Health is the sole member of Avera Marshall and has the power to appoint and remove, with or without cause, members of the board of directors.

Form 990, Part VI, Section A, line 7b:

Avera Marshall, the Member, has the exclusive right:

- (a) To approve the adoption, amendment or repeal of the statements of philosophy, mission and values of Corporation;
- (b) 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;
- (c) To appoint and remove, with or without cause, the Board of Directors of the Corporation.
- (d) To appoint and/or remove, with or without cause, the President and Chief Executive Officer of the Corporation.
- (e) To approve operating/capital budgets and strategic plans of the Corporation.
- (f) To approve expenditures outside of operating and capital budgets exceeding defined thresholds according to policy which may be adopted from

|   |  |
|---|--|
| Name of the organization<br>Avera Tyler | Employer identification number<br>41-0853163 |
|---|--|

time to time by the Member.

(g) To approve acquisitions, sales and leases, according to policy which may be adopted from time to time by the Member.

(h) To establish and maintain employee benefit programs.

(i) To establish and maintain insurance programs.

(j) To approve major community fund drives.

(k) To approve the appointment of auditors.

(l) To adopt policies designed to effectuate the reserved powers of the Member.

(m) To initiate and give final approval to equity and asset transfers by and between the Member and the Corporation and any affiliates or subsidiaries of the Member.

(n) To initiate and give final approval to (i) any and all issuances of obligations under any existing or future master indentures binding the Corporation, any indebtedness (including, without limitation, capitalized leases) in excess of dollar thresholds as may be from time to time established by the Member, and (ii) any pledges of collateral for such indebtedness and any pledges of real estate as collateral for any indebtedness regardless of amount.

(o) (i) Full and exclusive power to execute supplemental master indentures, including, without limitation, those authorizing the issuance of obligations or series of obligations, (ii) full and exclusive power to prepare, or authorize the preparation of, any and all documents, agreements, swap agreements, investment contracts, certificates and disclosure materials (including, without limitation, Official Statements and any supplements thereto) reasonably and ordinarily prepared in connection with the issuance of obligations thereunder, or related bonds associated therewith and to execute and deliver such items to the

|   |  |
|---|--|
| Name of the organization<br>Avera Tyler | Employer identification number<br>41-0853163 |
|---|--|

appropriate parties in connection therewith and (iii) full and exclusive power to authorize the entrance of members to, or withdrawal of members from, any obligated group, subject to the other requirements of the applicable master indenture for such entrance or withdrawal.

Form 990, Part VI, Section B, line 11b:

The Form 990 is reviewed initially by the CEO and CFO of Avera Marshall and the Administrator of Avera Tyler. The 990 is then reviewed by the Finance Committee. The return is provided to the Board of Directors for review prior to filing via the Board portal.

Form 990, Part VI, Section B, Line 12c:

The conflict of interest policy covers board members, officers and key employees. At each board meeting, a request is made for all board members to disclose any potential conflict of interest pertaining to any item listed on the agenda or pertaining to any potential item that could be discussed during the course of the meeting. The declaration of conflict of interest is recorded in the meeting minutes. The board makes a determination of whether there is a conflict of interest and if so, implements the procedure for evaluating the issue or transaction involved. The board member or officer with the conflict must refrain from voting.

A statement of conflict of interest disclosure is made on an annual basis by officers and directors. The information is maintained in a database and a report is provided to the board.

Form 990, Part VI, Section B, Line 15:

The CEO is compensated by Avera Health. Annually the Compensation Committee

Name of the organization

Avera Tyler

Employer identification number

41-0853163

of Avera Health, which is comprised of six (6) System Members appointed by the Religious Orders, meets with an independent consultant regarding fair market value of officers and key employees. The Compensation Committee approves all salaries based on comparable data and documents the basis for their decision in meeting minutes.

The compensation of the VP of Finance is determined by Human Resources based on a market analysis of comparable positions. The compensation is approved by the CEO.

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.

Form 990, Part IX, Line 11g, Other Fees:

Other Fees:

|                                 |            |
|---------------------------------|------------|
| Program service expenses        | 2,441,639. |
| Management and general expenses | 159,746.   |
| Fundraising expenses            | 0.         |
| Total expenses                  | 2,601,385. |

ACS Fees:

|                                 |          |
|---------------------------------|----------|
| Program service expenses        | 0.       |
| Management and general expenses | 450,000. |
| Fundraising expenses            | 0.       |
| Total expenses                  | 450,000. |



|  |   |
|--|---|
| Name of the organization<br><b>Avera Tyler</b> | Employer identification number<br><b>41-0853163</b> |
|--|---|

**Total Other Fees on Form 990, Part IX, line 11g, Col A** **3,051,385.**

**Form 990, Part XI, line 9, Changes in Net Assets:**

**Transfer from related party** **3,356.**

**Intercompany transfer** **-108,544.**

**Total to Form 990, Part XI, Line 9** **-105,188.**

**Form 990, Part XII, Line 2c:**

The Audit Committee of Avera Health, parent organization, selects the auditor and reviews the consolidated audited financial statements for Avera Health, which includes Avera Tyler.

**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.

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

OMB No. 1545-0047

**2016**

Open to Public Inspection

Name of the organization **Avera Tyler** Employer identification number **41-0853163**

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

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

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

| (a)<br>Name, address, and EIN<br>of related organization                                   | (b)<br>Primary activity                                      | (c)<br>Legal domicile (state or<br>foreign country) | (d)<br>Exempt Code<br>section | (e)<br>Public charity<br>status (if section<br>501(c)(3)) | (f)<br>Direct controlling<br>entity | (g)<br>Section 512(b)(13)<br>controlled<br>entity? |    |
|--|--|---|-------------------------------|---|-------------------------------------|--|----|
|  |  |   |                               |   |                                     | Yes  | No |
| Avera Health - 46-0422673<br>3900 West Avera Drive, Ste 300<br>Sioux Falls, SD 57108       | Promotion of Health  | South Dakota  | 501(c)(3)                     | Line 10   |                                     |  | X  |
| Avera St. Anthony's Hospital - 47-0463911<br>300 N 2nd Street<br>O'Neill, NE 68763         | Healthcare services  | Nebraska  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera Holy Family - 42-0680370<br>826 North 8th Street<br>Estherville, IA 51334            | Healthcare services  | Iowa  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera Holy Family Foundation - 42-1317452<br>826 North 8th Street<br>Estherville, IA 51334 | Support of Holy Family<br>Hospital and Home Health<br>Agency | Iowa  | 501(c)(3)                     | Line 10   | Avera Holy Family                   |  | X  |

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2016

**Part II** Continuation of Identification of Related Tax-Exempt Organizations

| (a)<br>Name, address, and EIN<br>of related organization  | (b)<br>Primary activity                   | (c)<br>Legal domicile (state or<br>foreign country) | (d)<br>Exempt Code<br>section | (e)<br>Public charity<br>status (if section<br>501(c)(3)) | (f)<br>Direct controlling<br>entity | (g)<br>Section 512(b)(13)<br>controlled<br>organization? |    |
|---|---|---|-------------------------------|---|-------------------------------------|--|----|
|   |   |   |                               |   |                                     | Yes  | No |
| St. Benedict Health Center - 46-0226738<br>401 West Glynn Drive<br>Parkston, SD 57366                                 | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| St. Benedict Health Center Foundation -<br>46-0458725, West Glynn Drive, PO Box B,<br>Parkston, SD 57366              | Support health related<br>services        | South Dakota  | 501(c)(3)                     | Line 12a, I   | St. Benedict<br>Health Center       |  | X  |
| Avera McKennan - 46-0224743<br>1325 S Cliff Ave, PO Box 5045<br>Sioux Falls, SD 57117                                 | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera Queen of Peace Hospital - 46-0224604<br>525 North Foster<br>Mitchell, SD 57301                                  | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Sacred Heart Health Services - 46-0225483<br>501 Summit Street<br>Yankton, SD 57078                                   | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera Gettysburg - 46-0234354<br>606 East Garfield<br>Gettysburg, SD 57442  | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera St. Mary's                    |  | X  |
| Avera at Home - 46-0399291<br>5116 S. Solberg Ave<br>Sioux Falls, SD 57108  | Home services                             | South Dakota  | 501(c)(3)                     | Line 10   | Avera Health                        |  | X  |
| Lewis and Clark Health Education and Service<br>Agency - 46-0337013, 1000 W 4th Street,<br>Suite 9, Yankton, SD 57078 | Healthcare education                      | South Dakota  | 501(c)(3)                     | Line 10   | Sacred Heart<br>Health Services     |  | X  |
| Avera St. Luke's - 46-0224598<br>305 South State Street<br>Aberdeen, SD 57401   | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera St. Mary's - 46-0230199<br>801 East Sioux Avenue<br>Pierre, SD 57501  | Healthcare services                       | South Dakota  | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera Marshall - 41-0919153<br>300 S Bruce Street<br>Marshall, MN 56258   | Healthcare services                       | Minnesota   | 501(c)(3)                     | Line 3  | Avera Health                        |  | X  |
| Avera Health Plans, Inc. - 46-0451539<br>3900 West Avera Drive, Suite 101<br>Sioux Falls, SD 57108                    | Health financing and<br>health plan admin | South Dakota  | 501(c)(4)                     |   | Avera Health                        |  | X  |

**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)<br>Name, address, and EIN<br>of related organization  | (b)<br>Primary activity                            | (c)<br>Legal domicile<br>(state or<br>foreign<br>country) | (d)<br>Direct controlling<br>entity | (e)<br>Predominant income<br>(related, unrelated,<br>excluded from tax under<br>sections 512-514) | (f)<br>Share of total<br>income | (g)<br>Share of<br>end-of-year<br>assets | (h)<br>Disproportionate<br>allocations? |    | (i)<br>Code V-UBI<br>amount in box<br>20 of Schedule<br>K-1 (Form 1065) | (j)<br>General or<br>managing<br>partner? |    | (k)<br>Percentage<br>ownership |
|---|--|---|-------------------------------------|---|---------------------------------|--|---|----|---|---|----|--------------------------------|
|   |  |   |                                     |   |                                 |  | Yes                                     | No |   | Yes                                       | No |                                |
| Avera Home Medical Equipment<br>of Floyd Valley Hospital, LLC<br>- 82-0582350, 714 Lincoln St<br>NE, Lemars, IA 51031 | Medical<br>services - home<br>medical<br>equipment | SD  | N/A                                 | N/A   | N/A                             | N/A                                      | N/A                                     |    | N/A   | N/A                                       |    | N/A                            |
| Avera Home Medical Equipment<br>of Sioux Center, LLC -<br>75-3203100, 38 19th St SW,<br>Sioux Center, IA 51250        | Medical<br>services - home<br>medical<br>equipment | SD  | N/A                                 | N/A   | N/A                             | N/A                                      | N/A                                     |    | N/A   | N/A                                       |    | N/A                            |
| Q&M Properties, LLC -<br>73-1652049, 525 North Foster,<br>Mitchell, SD 57301  | Medical clinic<br>building                         | SD  | N/A                                 | N/A   | N/A                             | N/A                                      | N/A                                     |    | N/A   | N/A                                       |    | N/A                            |
| Surgical Associates Endoscopy<br>Clinic, LLC - 46-0461429, 310<br>S Penn, Aberdeen, SD 57401                          | Surgical<br>associates                             | SD  | N/A                                 | N/A   | N/A                             | N/A                                      | N/A                                     |    | N/A   | N/A                                       |    | N/A                            |

**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)<br>Name, address, and EIN<br>of related organization   | (b)<br>Primary activity | (c)<br>Legal domicile<br>(state or<br>foreign<br>country) | (d)<br>Direct controlling<br>entity | (e)<br>Type of entity<br>(C corp, S corp,<br>or trust) | (f)<br>Share of total<br>income | (g)<br>Share of<br>end-of-year<br>assets | (h)<br>Percentage<br>ownership | (i)<br>Section<br>512(b)(13)<br>controlled<br>entity? |    |
|--|-------------------------|---|-------------------------------------|--|---------------------------------|--|--------------------------------|---|----|
|  |                         |   |                                     |  |                                 |  |                                | Yes   | No |
| Accounts Management, Inc. - 46-0373021<br>5132 S Cliff Ave, Suite 101<br>Sioux Falls, SD 57108                 | Collection agency       | SD  | N/A                                 | C CORP   | N/A                             | N/A                                      | N/A                            |   | X  |
| Avera Property Insurance, Inc. - 46-0463155<br>610 W 23rd St, PO Box 38<br>Yankton, SD 57078                   | Insurance               | SD  | N/A                                 | C CORP   | N/A                             | N/A                                      | N/A                            |   | X  |
| Valley Health Services - 46-0357149<br>501 Summit Street<br>Yankton, SD 57078                                  | Rental Real Estate      | SD  | N/A                                 | C CORP   | N/A                             | N/A                                      | N/A                            |   | X  |
| Alucent Medical, Inc. - 47-1818349<br>1325 S Cliff Avenue, PO Box 5045<br>Sioux Falls, SD 57117-5045           | Biotech Research        | SD  | N/A                                 | C CORP   | N/A                             | N/A                                      | N/A                            |   | X  |
| South Dakota State Medical Holding Company,<br>Inc. - 46-0401087, 2600 W 49th Street, Sioux<br>Falls, SD 57105 | Insurance               | SD  | N/A                                 | C CORP   | N/A                             | N/A                                      | N/A                            |   | X  |





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

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

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

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

| (a)<br>Name of related organization | (b)<br>Transaction type (a-s) | (c)<br>Amount involved | (d)<br>Method of determining amount involved |
|-------------------------------------|-------------------------------|------------------------|--|
| (1)                                 |                               |                        |  |
| (2)                                 |                               |                        |  |
| (3)                                 |                               |                        |  |
| (4)                                 |                               |                        |  |
| (5)                                 |                               |                        |  |
| (6)                                 |                               |                        |  |





**Part VII Supplemental Information.**

Provide additional information for responses to questions on Schedule R. See instructions.

Lined area for supplemental information.

# Application for Automatic Extension of Time To File an Exempt Organization Return

Department of the Treasury  
Internal Revenue Service

▶ **File a separate application for each return.**

▶ **Information about Form 8868 and its instructions is at [www.irs.gov/form8868](http://www.irs.gov/form8868) .**

**Electronic filing (e-file).** You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile), click on Charities & Non-Profits, and click on e-file for Charities and Non-Profits.

**Automatic 6-Month Extension of Time.** Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

|  |  | Enter filer's identifying number                                 |
|--|--|--|
| <b>Type or print</b><br><br>File by the due date for filing your return. See instructions. | Name of exempt organization or other filer, see instructions.<br><br><b>Avera Tyler</b>                            | Employer identification number (EIN) or<br><br><b>41-0853163</b> |
|  | Number, street, and room or suite no. If a P.O. box, see instructions.<br><b>240 Willow Street</b>                 | Social security number (SSN)                                     |
|  | City, town or post office, state, and ZIP code. For a foreign address, see instructions.<br><b>Tyler, MN 56178</b> |  |

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 1

| Application Is For                       | Return Code | Application Is For                | Return Code |
|--|-------------|-----------------------------------|-------------|
| Form 990 or Form 990-EZ                  | 01          | Form 990-T (corporation)          | 07          |
| Form 990-BL                              | 02          | Form 1041-A                       | 08          |
| Form 4720 (individual)                   | 03          | Form 4720 (other than individual) | 09          |
| Form 990-PF                              | 04          | Form 5227                         | 10          |
| Form 990-T (sec. 401(a) or 408(a) trust) | 05          | Form 6069                         | 11          |
| Form 990-T (trust other than above)      | 06          | Form 8870                         | 12          |

**Sharon Williams**

• The books are in the care of ▶ **300 South Bruce Street - Marshall, MN 56258**  
 Telephone No. ▶ **507-537-9150** Fax No. ▶ \_\_\_\_\_

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_. If this is for the whole group, check this box . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

**1** I request an automatic 6-month extension of time until **May 15, 2018**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- ▶  calendar year \_\_\_\_\_ or
- ▶  tax year beginning **JUL 1, 2016**, and ending **JUN 30, 2017**.

**2** If the tax year entered in line 1 is for less than 12 months, check reason:  Initial return  Final return  Change in accounting period

|   |           |    |    |
|---|-----------|----|----|
| <b>3a</b> If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.                                   | <b>3a</b> | \$ | 0. |
| <b>b</b> If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. | <b>3b</b> | \$ | 0. |
| <b>c Balance due.</b> Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.              | <b>3c</b> | \$ | 0. |

**Caution:** If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

Mail to: Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0045

Electronic Filing PDF Attachment



Consolidated Financial Statements  
June 30, 2017 and 2016

# Avera Health

|   |    |
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## Independent Auditor's Report

The Board of Directors  
Avera Health  
Sioux Falls, South Dakota

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Avera Health and subsidiaries (the "Organization"), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Avera Health as of June 30, 2017 and 2016, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Consolidating Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 41 through 44 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
November 17, 2017

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|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Assets   |                     |                     |
| Current Assets                                   |                     |                     |
| Cash and cash equivalents                        | \$ 122,437          | \$ 120,898          |
| Assets limited as to use                         | 28,953              | 30,771              |
| Receivables                                      |                     |                     |
| Patients and residents, net                      | 215,225             | 205,819             |
| Other  | 56,356              | 58,089              |
| Supplies   | 41,062              | 36,815              |
| Prepaid expenses and other                       | 29,868              | 25,643              |
| Total current assets                             | <u>493,901</u>      | <u>478,035</u>      |
| Assets Limited as to Use                         |                     |                     |
| Under indenture agreements                       | 834                 | 1,301               |
| Other assets limited as to use                   | 897,735             | 800,124             |
| Total noncurrent assets limited as to use        | <u>898,569</u>      | <u>801,425</u>      |
| Property and Equipment, Net                      | <u>843,687</u>      | <u>826,750</u>      |
| Other Assets                                     |                     |                     |
| Custodial funds held for unconsolidated entities | 35,994              | 30,323              |
| Investments in affiliated organizations          | 18,431              | 16,830              |
| Goodwill   | 98,460              | 91,963              |
| Intangible assets, net                           | 9,098               | 11,554              |
| Noncurrent receivables                           | 10,214              | 10,949              |
| Other  | 37,722              | 39,133              |
| Total other assets                               | <u>209,919</u>      | <u>200,752</u>      |
| Total assets                                     | <u>\$ 2,446,076</u> | <u>\$ 2,306,962</u> |

See Notes to Consolidated Financial Statements

Avera Health  
Consolidated Balance Sheets  
June 30, 2017 and 2016  
(In Thousands)

|  | 2017         | 2016         |
|--|--------------|--------------|
| Liabilities and Net Assets   |              |              |
| Current Liabilities  |              |              |
| Current maturities of long-term debt   | \$ 16,199    | \$ 15,783    |
| Accounts payable   | 58,970       | 66,371       |
| Accrued salaries, benefits and withholdings                                      | 98,419       | 84,965       |
| Interest payable   | 5,587        | 5,364        |
| Estimated insurance claims payable   | 35,069       | 36,206       |
| Estimated third-party payor settlements  | 14,300       | 9,716        |
| Other  | 29,098       | 21,583       |
|  | 257,642      | 239,988      |
| Total current liabilities  |              |              |
| Non-Current Liabilities  |              |              |
| Long-term debt, less unamortized premiums,<br>discounts, and debt issuance costs | 470,854      | 465,850      |
| Custodial funds held for unconsolidated entities                                 | 35,994       | 30,323       |
| Estimated insurance claims payable - noncurrent                                  | 16,976       | 18,769       |
| Derivative liability   | 11,409       | 16,559       |
| Other  | 6,058        | 8,606        |
|  | 541,291      | 540,107      |
| Total non-current liabilities  |              |              |
| Net Assets   |              |              |
| Unrestricted   | 1,586,781    | 1,471,906    |
| Noncontrolling interest  | 14,012       | 13,734       |
|  | 1,600,793    | 1,485,640    |
| Total unrestricted net assets  |              |              |
| Temporarily restricted   | 38,968       | 34,418       |
| Permanently restricted   | 7,382        | 6,809        |
|  | 46,350       | 41,227       |
| Total net assets   | 1,647,143    | 1,526,867    |
| Total liabilities and net assets   | \$ 2,446,076 | \$ 2,306,962 |

Avera Health  
Consolidated Statements of Operations  
Years Ended June 30, 2017 and 2016  
(In Thousands)

|   | <u>2017</u>       | <u>2016</u>      |
|---|-------------------|------------------|
| Unrestricted Revenues, Gains, and Other Support   |                   |                  |
| Net patient and resident service revenue  | \$ 1,654,106      | \$ 1,574,604     |
| Provision for bad debts   | (41,273)          | (43,249)         |
| Net patient service revenue less provision for bad debts  | <u>1,612,833</u>  | <u>1,531,355</u> |
| Premium revenue   | 308,809           | 190,099          |
| Other revenue   | <u>124,113</u>    | <u>114,434</u>   |
| Total revenues, gains, and other support  | <u>2,045,755</u>  | <u>1,835,888</u> |
| Expenses  |                   |                  |
| Salaries, wages, and benefits   | 1,066,366         | 990,785          |
| Supplies  | 354,903           | 316,715          |
| Other   | 282,297           | 269,246          |
| Claims expense  | 177,852           | 111,838          |
| Interest  | 17,032            | 15,731           |
| Depreciation and amortization   | <u>96,047</u>     | <u>87,411</u>    |
| Total expenses  | <u>1,994,497</u>  | <u>1,791,726</u> |
| Operating Income  | <u>51,258</u>     | <u>44,162</u>    |
| Other Income (Losses)   |                   |                  |
| Investment income - realized  | 63,537            | 13,202           |
| Investment income - unrealized  | 4,412             | (20,969)         |
| Other nonoperating, net   | (7,742)           | (11,085)         |
| Change in fair value of interest rate swaps not<br>designated as hedges                                   | 4,796             | (3,139)          |
| Reclassification of accumulated losses on interest rate swaps   | <u>(432)</u>      | <u>(504)</u>     |
| Other income (loss), net  | <u>64,571</u>     | <u>(22,495)</u>  |
| Revenues in Excess of Expenses  | 115,829           | 21,667           |
| Investment by noncontrolling interests, and distributions<br>of earnings to noncontrolling interests, net | (6,248)           | (6,483)          |
| Reclassification of accumulated losses on interest rate swap  | 432               | 504              |
| Grants and contributions restricted for capital purposes  | 3,081             | 3,279            |
| Net assets released from restrictions for<br>purchases of property and equipment                          | 1,886             | 8,489            |
| Other changes in net assets   | <u>173</u>        | <u>106</u>       |
| Increase in Unrestricted Net Assets   | <u>\$ 115,153</u> | <u>\$ 27,562</u> |

Avera Health  
Consolidated Statements of Changes in Net Assets  
Years Ended June 30, 2017 and 2016  
(In Thousands)

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Unrestricted Net Assets  |                     |                     |
| Revenues in excess of expenses   | \$ 115,829          | \$ 21,667           |
| Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net | (6,248)             | (6,483)             |
| Reclassification of accumulated losses on interest rate swap   | 432                 | 504                 |
| Grants and contributions restricted for capital purposes   | 3,081               | 3,279               |
| Net assets released from restrictions for purchases of property and equipment                          | 1,886               | 8,489               |
| Other changes in net assets  | 173                 | 106                 |
|  | <u>115,153</u>      | <u>27,562</u>       |
| Increase in unrestricted net assets  |                     |                     |
| Temporarily Restricted Net Assets  |                     |                     |
| Contributions  | 8,828               | 7,570               |
| Investment income (loss)   | 4,519               | (1,383)             |
| Net assets released from restrictions  | (8,797)             | (14,942)            |
| Net assets received in affiliation   | -                   | 78                  |
|  | <u>4,550</u>        | <u>(8,677)</u>      |
| Increase (decrease) in temporarily restricted net assets   |                     |                     |
| Permanently Restricted Net Assets  |                     |                     |
| Contributions  | 573                 | 396                 |
| Net assets received in affiliation   | -                   | 208                 |
|  | <u>573</u>          | <u>604</u>          |
| Increase in permanently restricted net assets  |                     |                     |
| Increase in Net Assets   | 120,276             | 19,489              |
| Net Assets, Beginning of Year  | <u>1,526,867</u>    | <u>1,507,378</u>    |
| Net Assets, End of Year  | <u>\$ 1,647,143</u> | <u>\$ 1,526,867</u> |

Avera Health  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2017 and 2016  
(In Thousands)

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
| Operating Activities   |                  |                  |
| Change in net assets   | \$ 120,276       | \$ 19,489        |
| Adjustments to reconcile change in net assets to net cash from operating activities                    |                  |                  |
| Net realized and unrealized (gains) losses on investments  | (52,614)         | 27,627           |
| Change in fair value of interest rate swaps  | (5,150)          | 3,067            |
| Impairment losses  | -                | 200              |
| Loss on disposal of property and equipment, net  | 287              | 183              |
| Depreciation and amortization  | 99,052           | 92,618           |
| Provision for bad debts  | 41,273           | 43,249           |
| Losses on equity method investments  | 2,066            | 3,773            |
| Restricted contributions   | (12,482)         | (12,736)         |
| Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net | 6,248            | 6,483            |
| Other non-cash changes   | (3,562)          | (2,985)          |
| Change in assets and liabilities   |                  |                  |
| Receivables  | (47,442)         | (35,628)         |
| Supplies   | (4,060)          | (3,230)          |
| Prepaid expenses and other assets  | 3,630            | (3,232)          |
| Accounts payable   | (11,337)         | 7,390            |
| Estimated third-party payor settlements  | 4,583            | (7,857)          |
| Accrued expenses   | 15,046           | (9,289)          |
| Other current liabilities  | 7,039            | (2,255)          |
| Net Cash from Operating Activities   | <u>162,853</u>   | <u>126,867</u>   |
| Investing Activities   |                  |                  |
| Purchases of investments   | (304,418)        | (221,938)        |
| Proceeds from sales and maturities of investments  | 261,604          | 260,645          |
| Purchase of property and equipment   | (105,327)        | (142,363)        |
| Investment in affiliated organizations   | (4,290)          | (4,648)          |
| Distributions from affiliated organizations  | 593              | 1,295            |
| Cash paid in business acquisitions, net of cash acquired   | (22,154)         | (8,932)          |
| Increase in other assets   | (137)            | (8,072)          |
| Proceeds from disposal of equipment  | 2,103            | 2,406            |
| Net Cash used for Investing Activities   | <u>(172,026)</u> | <u>(121,607)</u> |

**Avera Health**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**  
(In Thousands)

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| <b>Financing Activities</b>   |                   |                   |
| Proceeds from issuance of long-term debt  | \$ 21,139         | \$ 26,394         |
| Scheduled principal payments on long-term debt  | (15,600)          | (15,747)          |
| Change in other long-term liabilities   | (1,025)           | (1,440)           |
| Payment of deferred financing costs   | (36)              | -                 |
| Distributions to noncontrolling interests   | (6,248)           | (6,483)           |
| Restricted contributions  | 12,482            | 11,245            |
|   | <u>10,712</u>     | <u>13,969</u>     |
| Net Cash from Financing Activities  |                   |                   |
| Net Change in Cash and Cash Equivalents   | 1,539             | 19,229            |
| Cash and Cash Equivalents, Beginning of Year  | 120,898           | 101,669           |
| Cash and Cash Equivalents, End of Year  | <u>\$ 122,437</u> | <u>\$ 120,898</u> |
| <br><b>Supplemental Disclosure of Cash Flow Information</b>   |                   |                   |
| Cash paid during the year for interest, net of amounts capitalized of \$233 in 2017 and \$1,097 in 2016 | <u>\$ 16,890</u>  | <u>\$ 15,809</u>  |
| <br><b>Business acquisitions and divestitures</b>   |                   |                   |
| Receivables   | \$ -              | \$ 18,035         |
| Other assets  | 187               | 3,863             |
| Property and equipment, net   | 14,778            | 5,466             |
| Goodwill  | 6,497             | 19,110            |
| Intangible assets   | 692               | 606               |
| Investments and other assets  | -                 | 7,775             |
| Current liabilities   | -                 | (38,947)          |
| Long-term debt and other long-term liabilities  | -                 | (6,976)           |
|   | <u>\$ 22,154</u>  | <u>\$ 8,932</u>   |
| <br><b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>                       |                   |                   |
| Accounts payable for purchase of property and equipment   | <u>\$ 7,135</u>   | <u>\$ 8,303</u>   |
| Transfer of property held for future use to operating property  | <u>\$ 3,640</u>   | <u>\$ -</u>       |
| Transfer of accumulated construction costs to prepaid lease   | <u>\$ 6,915</u>   | <u>\$ -</u>       |
| Contribution of long-lived assets (non-cash)  | <u>\$ -</u>       | <u>\$ 1,489</u>   |

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

### **Organization**

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

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

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

As part of a system-wide corporate financing plan, Avera Health established an Obligated Group to access the capital markets and make loans to its members. Obligated Group members are jointly and severally liable for the long-term debt outstanding under the Master Trust Indenture. The Obligated Group’s unrestricted net assets represent approximately 89% and 90% of the consolidated unrestricted net assets of Avera Health as of June 30, 2017 and 2016.

### **Income Taxes**

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

Avera Health and its sponsored organizations believe that they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The federal Form 990T filings and taxable subsidiary returns for consolidated subsidiaries are no longer subject to federal tax examinations by tax authorities for years before 2014.

Certain consolidated entities are subject to federal income taxes. Deferred income tax assets and liabilities are recognized for the differences between the financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. Deferred tax assets and liabilities are not material as of June 30, 2017 and 2016. The Organization paid an immaterial amount of federal and state income taxes for the years ended June 30, 2017 and 2016.

## Principles of Consolidation

The consolidated financial statements for the years ended June 30, 2017 and 2016 include the accounts of the Organization and the following sponsored organizations and controlled subsidiaries. Significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

### *Obligated Group*

- Avera Health
- Avera McKennan and Subsidiaries (66 2/3% of Heart Hospital of South Dakota LLC, Alumend LLC, and Alucent Medical, Inc.)
- Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital and Subsidiaries (Lewis and Clark Health Education and Service Agency d/b/a Avera Education and Staffing Solutions, and Valley Health Services)
- Avera St. Luke's and Subsidiary (51% of Surgical Associates Endoscopy LLC)
- Avera Queen of Peace
- Avera Marshall and Subsidiaries (Avera Tyler (as of March 1, 2016) and Avera Marshall Foundation (dissolved as of July 1, 2016))
- Avera St. Mary's and Subsidiary (Avera Gettysburg)

### *Non-Obligated Group*

- Avera St. Anthony's Hospital
- Avera St. Benedict Health Center
- Avera Holy Family Health
- Avera Health Plans, Inc.
- Accounts Management, Inc. (75% owned subsidiary)
- Avera Property Insurance, LLC
- South Dakota State Medical Holding Company, Inc. dba Dakotacare and Subsidiary (Dakotacare Administrative Services Inc.)
- Avera Communication, LLC
- Avera @ Home

## Use of Estimates

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

## Cash and Cash Equivalents

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



### **Patient and Resident Receivables**

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

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

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

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

The Organization's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed between the years ended June 30, 2016 and 2017. The Organization does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. The Organization has not significantly changed its charity care or uninsured discount policies during the years ended June 30, 2017 or 2016. Patient and resident receivables are shown net of estimated uncollectibles, charity care, and other allowances of approximately \$400,648 and \$370,899 as of June 30, 2017 and 2016, of which \$58,900 and \$60,900 was recorded for the allowance for doubtful accounts.

### **Supplies**

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

### **Investments and Investment Income**

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

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

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

Certain consolidated entities have entered into notes receivable and guaranteed salary commitments with certain physicians. These contracts are limited in duration, and serve the purpose of recruiting new physicians. Notes receivable with physicians totaling approximately \$14,469 and \$15,987 at June 30, 2017 and 2016, respectively, are recorded as other accounts receivable and noncurrent receivables in the consolidated balance sheets. Liabilities recorded in connection with guaranteed salary commitments are included with other current and noncurrent liabilities in the consolidated balance sheets.

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

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

### **Fair Value Measurements**

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

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

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

### **Investments in Affiliated Organizations**

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

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. The Organization and its consolidated affiliates have generally adopted policies with \$5,000 (not in thousands) as the minimum threshold to determine whether assets will be capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized using the straight-line method over the shorter of the lease term or estimated useful life of the equipment. Amortization is included in depreciation and amortization in the consolidated financial statements. The estimated useful lives of property and equipment are as follows:

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

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

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the related assets.

## **Goodwill**

Goodwill represents the excess of cost over the fair value of 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 recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The Organization recorded impairment of \$0 and \$200 for the years ended June 30, 2017 and 2016.

## **Intangible Assets**

Intangible assets consist of patient records, non-compete agreements, and patents associated with business acquisitions. Intangible assets are amortized over their estimated economic life which range from 5 to 20 years. Intangible assets are considered annually for indicators of impairment. There was no impairment loss recognized for the years ended June 30, 2017 and 2016.

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

Avera Health considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of the asset is appropriate. No impairment was identified for the years ended June 30, 2017 and 2016.

## **Investment in Premier Inc.**

Avera is a member of Premier Inc.'s (Premier) group purchasing organization and in connection with this membership Avera held a non-controlling interest in Premier. In connection with an IPO offering on October 2013, Avera received stock conversion rights allowing for Avera to convert Class B units in Premier to Class A common stock over a seven year vesting period. The stock conversion rights are considered a vendor incentive as long as Avera participates in the Premier purchasing program. Avera records the difference between the value of Premier's Class A common stock and the carrying value of Avera's Class B units in Premier as a reduction of supplies expense. Premier Inc. stock conversion rights are recorded at fair value on a recurring basis and are included in other noncurrent assets in the consolidated balance sheets.

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

Avera Health has established self-insurance programs for the majority of its employee health and dental insurance, workers' compensation benefits for employees, and for professional and general liability risks. Annual self-insurance expense under these programs is based on past claims experience and projected losses. Actuarial estimates of uninsured losses for each program at June 30, 2017 and 2016 have been accrued as liabilities and include an estimate of the ultimate costs for both reported claims and claims incurred but not reported. Avera Health also has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities.

### Noncontrolling Interest

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

The changes in consolidated unrestricted net assets attributable to the Organization's controlling interest and noncontrolling interests for the years ended June 30, 2017 and 2016 are as follows:

|  | Unrestricted Net Assets |                             |                     |
|--|-------------------------|-----------------------------|---------------------|
|  | Controlling<br>Interest | Noncontrolling<br>Interests | Total               |
| July 1, 2015   | \$ 1,444,358            | \$ 13,720                   | \$ 1,458,078        |
| Revenue in excess of expenses  | 15,243                  | 6,424                       | 21,667              |
| Distributions to noncontrolling interests  | -                       | (6,483)                     | (6,483)             |
| Reclassification of accumulated losses<br>on interest rate swaps                 | 504                     | -                           | 504                 |
| Grants and contributions restricted for<br>capital purposes                      | 3,279                   | -                           | 3,279               |
| Net assets released from restrictions for<br>purchases of property and equipment | 8,489                   | -                           | 8,489               |
| Other changes in net assets  | 33                      | 73                          | 106                 |
| June 30, 2016  | 1,471,906               | 13,734                      | 1,485,640           |
| Revenue in excess of expenses  | 109,421                 | 6,408                       | 115,829             |
| Distributions to noncontrolling interests  | -                       | (6,248)                     | (6,248)             |
| Reclassification of accumulated losses<br>on interest rate swaps                 | 432                     | -                           | 432                 |
| Grants and contributions restricted for<br>capital purposes                      | 3,081                   | -                           | 3,081               |
| Net assets released from restrictions for<br>purchases of property and equipment | 1,886                   | -                           | 1,886               |
| Other changes in net assets  | 55                      | 118                         | 173                 |
| June 30, 2017  | <u>\$ 1,586,781</u>     | <u>\$ 14,012</u>            | <u>\$ 1,600,793</u> |

### Temporarily and Permanently Restricted Net Assets

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

## Endowments

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

Avera Health has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Avera Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Avera Health targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that Avera Health is required to retain as a fund of perpetual duration. Deficits of this nature are reported in unrestricted net assets, unless otherwise specified by the donor.

## Revenues in Excess of Expenses

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

## Net Patient and Resident Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients and residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Organization's uninsured patients and residents will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients and residents in the period the services are provided.

Net patient and resident service revenue, but before the provision for bad debts, recognized for the years ended June 30, 2017 and 2016 from these major payor sources, is as follows:

|  | 2017         | 2016         |
|--|--------------|--------------|
| Net patient and resident service revenue |              |              |
| Third-party payors                       | \$ 1,582,583 | \$ 1,511,927 |
| Self-pay                                 | 71,523       | 62,677       |
| Total all payors                         | \$ 1,654,106 | \$ 1,574,604 |

### Charity Care and Community Benefit

The Organization provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Total direct and indirect costs related to these foregone charges were approximately \$21,616 and \$20,835 at June 30, 2017 and 2016, which was determined based on an average ratio of cost to gross charges or underlying cost accounting records related to the services provided.

The Organization also provides community benefit health activities at less than or at no cost to support those in the area served. These activities include, but are not limited to, community education and health services, health professionals' education, subsidized services, cash and in-kind donations to community organizations, health research, and community building activities. For the years ended June 30, 2017 and 2016, specific examples include free health clinic services, diabetes education and management programs; ASK A NURSE health information services; clinical settings for resident physicians and nursing, radiology, and pharmacy students; community blood bank partnerships; subsidized emergency transportation; medication, transportation and lodging support for needy patients and families; community screenings; and clinical research.

### Premium Revenue

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

### Donor-Restricted Gifts

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

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

### **Contributions Receivable**

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

### **Market Risk**

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

### **Advertising Costs**

The Organization expenses advertising costs as they are incurred. During the years ended June 30, 2017 and 2016, advertising expenses were \$7,811 and \$9,119, respectively.

### **Accounting Pronouncements**

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, the standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has since updated the new revenue standard by issuing clarifying implementation guidance, but the core principle of the new standard has not changed. ASU No. 2014-09 is effective for fiscal year 2019. The Organization expects to record a decrease in net patient and resident service revenue and a corresponding decrease in the provision for bad debts upon adoption of the standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize the assets and liabilities arising from all leases on the consolidated balance sheets and to disclose key qualitative and quantitative information about the entity's leasing arrangements. This guidance is effective for the Organization as of July 1, 2019, including interim periods within the fiscal year, and a modified retrospective approach is required. Early adoption is permitted. The Organization is currently assessing the impact the adoption of this standard will have on the consolidated financial statements.



In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, to improve the current net asset classification requirements and information presented in financial statements and notes regarding a not-for-profit entity's liquidity, financial performance, cash flows, and functional expenses. This update requires not-for-profit entities to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions), rather than the three classes of net assets currently required, and other qualitative information regarding the entity's liquidity, financial performance and cash flows. The amendments in this update are effective for the Organization as of July 1, 2018 and for interim periods within the fiscal years beginning July 1, 2019. The Organization is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

### **Reclassifications**

Reclassifications have been made to the June 30, 2016 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported revenues in excess of expenses or changes in net assets.

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

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

**Medicare - PPS:** Inpatient acute care services and outpatient 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 Administrative Contractor.

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

**Medicaid:** Inpatient acute care services rendered to Medicaid program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment reimbursement methodology. There are generally no retroactive settlements resulting from the Medicaid program.

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

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

**Clinics:** The Organization is reimbursed for most services provided in its clinics under the respective payer's fee schedules. Clinic services provided to Medicare beneficiaries that are licensed as rural health clinics are reimbursed at cost, while clinics recognized as provider-based clinics by Medicare receive a technical (hospital) and professional payment from Medicare.

The Organization 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 and discounts from established charges.

Revenue from the Medicare and Medicaid programs accounted for approximately 33.1% and 7.7% of the Organization's net patient service revenue for the year ended June 30, 2017 and 33.7% and 7.6% for the year ended June 30, 2016. Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is an ongoing level of uncertainty relative to the estimated liability for prior period cost reports. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue for the years ended June 30, 2017 and 2016 increased approximately \$4,500 and \$6,500 due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits and reviews.

### Note 3 - Investments and Investment Income

Investments and assets limited as to use consist of the following and are classified in the consolidated balance sheets as follows as of June 30, 2017 and 2016:

|   | 2017       | 2016       |
|---|------------|------------|
| Cash and short-term investments                       | \$ 92,386  | \$ 94,072  |
| U.S. government issues                                | 16,295     | 16,094     |
| Corporate bonds                                       | 70,109     | 56,058     |
| Other fixed income                                    | 32,261     | 32,197     |
| Publicly traded equity securities                     | 42,189     | 64,447     |
| Foreign equities                                      | 46,131     | 39,202     |
| Equity mutual funds                                   | 302,773    | 262,668    |
| Fixed income mutual funds                             | 172,876    | 130,875    |
| Balanced mutual funds                                 | 45,844     | 41,409     |
| Alternative investments                               |            |            |
| Multi-strategy, debt, private equity, and hedge funds | 126,629    | 110,544    |
| Real asset  | 16,023     | 14,953     |
|   | \$ 963,516 | \$ 862,519 |
| Assets limited as to use                              |            |            |
| Current - under indenture agreements                  | \$ 8,490   | \$ 9,048   |
| Current - other marketable securities                 | 20,463     | 21,723     |
| Under indenture agreements                            | 834        | 1,301      |
| Other long-term assets limited as to use              | 897,735    | 800,124    |
| Custodial funds held for unconsolidated entities      | 35,994     | 30,323     |
|   | \$ 963,516 | \$ 862,519 |

Investment income and losses on assets limited as to use, cash equivalents, notes receivable, and other investments are comprised of the following for the years ended June 30, 2017 and 2016:

|  | 2017      | 2016       |
|--|-----------|------------|
| Other Revenue  |           |            |
| Interest income                                      | \$ 180    | \$ 386     |
| Other Income   |           |            |
| Interest and dividend income                         | \$ 19,854 | \$ 18,477  |
| Net realized gains (losses) on investments           | 43,683    | (5,275)    |
| Change in unrealized gains and losses on investments | 4,412     | (20,969)   |
|  | \$ 67,949 | \$ (7,767) |
| Changes in temporarily restricted net assets         |           |            |
| Net realized gains on investments                    | \$ 1,769  | \$ 727     |
| Change in unrealized gains and losses on investments | 2,750     | (2,110)    |
|  | \$ 4,519  | \$ (1,383) |

### Alternative Investments

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

**Note 4 - Fair Value Measurements**

Assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016, respectively, are as follows:

|   | 2017              |                   |                 | Total             |
|---|-------------------|-------------------|-----------------|-------------------|
|   | Level 1           | Level 2           | Level 3         |                   |
| <b>Assets</b>   |                   |                   |                 |                   |
| Assets limited as to use                              |                   |                   |                 |                   |
| Cash equivalents and short-term investments           | \$ 35,013         | \$ 57,373         | \$ -            | \$ 92,386         |
| U.S. government issues                                | 5,752             | 10,543            | -               | 16,295            |
| Corporate bonds                                       | -                 | 70,109            | -               | 70,109            |
| Other fixed income                                    | -                 | 32,261            | -               | 32,261            |
| Publicly traded equity securities                     | 42,189            | -                 | -               | 42,189            |
| Foreign equities                                      | 46,131            | -                 | -               | 46,131            |
| Equity mutual funds                                   | 35,097            | 158,450           | -               | 193,547           |
| Fixed income mutual funds                             | 997               | 143,924           | -               | 144,921           |
| Balanced mutual funds                                 | 93                | 45,751            | -               | 45,844            |
| Investments valued at net asset value                 |                   |                   |                 |                   |
| Equity mutual funds                                   |                   |                   |                 | 109,226           |
| Fixed income mutual funds                             |                   |                   |                 | 27,955            |
| Alternative investments                               |                   |                   |                 |                   |
| Multi-strategy, debt, private equity, and hedge funds |                   |                   |                 | 126,629           |
| Real asset  |                   |                   |                 | 16,023            |
|   | <u>165,272</u>    | <u>518,411</u>    | <u>-</u>        | <u>963,516</u>    |
| Other assets  |                   |                   |                 |                   |
| Stock conversion rights                               | -                 | 15,902            | -               | 15,902            |
| Physician guarantees                                  | -                 | -                 | 791             | 791               |
| Contributions receivable                              | -                 | -                 | 3,268           | 3,268             |
|   | <u>\$ 165,272</u> | <u>\$ 534,313</u> | <u>\$ 4,059</u> | <u>\$ 983,477</u> |
| <b>Liabilities</b>                                    |                   |                   |                 |                   |
| Other liabilities                                     |                   |                   |                 |                   |
| Physician guarantees                                  | \$ -              | \$ -              | \$ 791          | \$ 791            |
| Derivative liability -                                |                   |                   |                 |                   |
| Interest rate swap agreements                         | -                 | 11,409            | -               | 11,409            |
|   | <u>\$ -</u>       | <u>\$ 11,409</u>  | <u>\$ 791</u>   | <u>\$ 12,200</u>  |

Avera Health  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016  
(Dollar Amounts in Thousands)

|   | 2016              |                   |                 | Total             |
|---|-------------------|-------------------|-----------------|-------------------|
|   | Level 1           | Level 2           | Level 3         |                   |
| <b>Assets</b>   |                   |                   |                 |                   |
| Assets limited as to use                              |                   |                   |                 |                   |
| Cash equivalents and short-term investments           | \$ 36,056         | \$ 58,016         | \$ -            | \$ 94,072         |
| U.S. government issues                                | 6,291             | 9,803             | -               | 16,094            |
| Corporate bonds                                       | -                 | 56,058            | -               | 56,058            |
| Other fixed income                                    | -                 | 32,197            | -               | 32,197            |
| Publicly traded equity securities                     | 64,447            | -                 | -               | 64,447            |
| Foreign equities                                      | 39,202            | -                 | -               | 39,202            |
| Equity mutual funds                                   | 28,744            | 155,144           | -               | 183,888           |
| Fixed income mutual funds                             | 1,069             | 97,162            | -               | 98,231            |
| Balanced mutual funds                                 | 116               | 41,293            | -               | 41,409            |
| Investments valued at net asset value                 |                   |                   |                 |                   |
| Equity mutual funds                                   |                   |                   |                 | 78,780            |
| Fixed income mutual funds                             |                   |                   |                 | 32,644            |
| Alternative investments                               |                   |                   |                 |                   |
| Multi-strategy, debt, private equity, and hedge funds |                   |                   |                 | 110,544           |
| Real asset  |                   |                   |                 | 14,953            |
|   | <u>175,925</u>    | <u>449,673</u>    | <u>-</u>        | <u>862,519</u>    |
| Other assets  |                   |                   |                 |                   |
| Stock conversion rights                               | -                 | 10,505            | -               | 10,505            |
| Physician guarantees                                  | -                 | -                 | 1,841           | 1,841             |
| Contributions receivable                              | -                 | -                 | 2,745           | 2,745             |
|   | <u>\$ 175,925</u> | <u>\$ 460,178</u> | <u>\$ 4,586</u> | <u>\$ 877,610</u> |
| <b>Liabilities</b>                                    |                   |                   |                 |                   |
| Other liabilities                                     |                   |                   |                 |                   |
| Physician guarantees                                  | \$ -              | \$ -              | \$ 1,841        | \$ 1,841          |
| Derivative liability -                                |                   |                   |                 |                   |
| Interest rate swap agreements                         | -                 | 16,559            | -               | 16,559            |
|   | <u>\$ -</u>       | <u>\$ 16,559</u>  | <u>\$ 1,841</u> | <u>\$ 18,400</u>  |

Avera Health's policy is to recognize transfers to or from Levels 1, 2 or 3 within the fair value hierarchy as of the beginning of the period. There were no significant transfers to or from Levels 1, 2, or 3 during 2017 and 2016.

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

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

The fair value of liabilities for interest rate swap agreements classified as Level 2 is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the sums of the difference between the present value of the cash flow of each leg equals the market value of the swap. The fair value of stock conversion rights are measured based on the observed balance of the underlying publicly traded stock price.

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

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

|                          | Contributions<br>Receivable | Contribution<br>Commitments | Physician<br>Guarantee<br>Asset | Physician<br>Guarantee<br>Liability |
|--------------------------|-----------------------------|-----------------------------|---------------------------------|-------------------------------------|
| July 1, 2015             | \$ 3,448                    | \$ (188)                    | \$ 2,854                        | \$ (2,854)                          |
| New contributions        | 1,809                       | -                           | -                               | -                                   |
| Cash (received) paid     | (2,422)                     | 199                         | (1,226)                         | 1,226                               |
| Write-offs / adjustments | (90)                        | (11)                        | 213                             | (213)                               |
| June 30, 2016            | 2,745                       | -                           | 1,841                           | (1,841)                             |
| New contributions        | 2,440                       | -                           | -                               | -                                   |
| Cash (received) paid     | (1,736)                     | -                           | (1,262)                         | 1,262                               |
| Write-offs / adjustments | (181)                       | -                           | 212                             | (212)                               |
| June 30, 2017            | <u>\$ 3,268</u>             | <u>\$ -</u>                 | <u>\$ 791</u>                   | <u>\$ (791)</u>                     |

### Investments Valued at Net Asset Value

The Organization has adopted ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which states investments in affiliated and private investment funds valued at NAV are no longer required to be included in the fair value hierarchy. For investments such as multi-strategy funds, private equity funds, hedge funds and real asset funds, the carrying amount is determined using the calculated net asset value ("NAV") provided by the fund. Hedge fund investments typically value underlying securities traded on a national securities exchange or reported on a national market at the last reported sales price on the day of the valuation. Underlying securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are typically valued at the mean between representative bids and ask quotes obtained. Where no fair value is readily available, the fund or investment manager may determine, in good faith, the fair value using models that take into account relevant information considered material. Real asset investments are priced using valuation techniques that include income, market, and cost approaches. Significant inputs include contract and market rents, operating expenses, capitalization rates, discount rates, sales of comparable properties, and market rent growth trends, as well as the use of the value of property plus the cost of building a similar structure of equal utility.

The following table and explanations identify attributes relating to the nature and risk of investments carried at NAV as of June 30, 2017 and 2016:

|   | 2017              |                      |                          |
|---|-------------------|----------------------|--------------------------|
|   | Fair Value        | Unfunded Commitments | Redemption Notice Period |
| Daily redemption frequency                            |                   |                      |                          |
| Equity mutual funds                                   | \$ 109,226        | \$ -                 | Daily                    |
| Monthly redemption frequency                          |                   |                      |                          |
| Fixed income mutual funds                             | 27,955            | -                    | 10-30 Days               |
| Multi-strategy, debt, private equity, and hedge funds | 3,143             | -                    | 30-90 Days               |
| Quarterly redemption frequency                        |                   |                      |                          |
| Multi-strategy, debt, private equity, and hedge funds | 92,106            | -                    | 45-90 Days               |
| Annual redemption frequency                           |                   |                      |                          |
| Multi-strategy, debt, private equity, and hedge funds | 27,671            | -                    | 45-90 Days               |
| Illiquid Investments                                  |                   |                      |                          |
| Multi-strategy, debt, private equity, and hedge funds | 3,709             | 9,360                | (A)                      |
| Real asset  | 16,023            | 1,606                | (B)                      |
|   | <u>\$ 279,833</u> | <u>\$ 10,966</u>     |                          |
|   |                   |                      |                          |
|   | 2016              |                      |                          |
|   | Fair Value        | Unfunded Commitments | Redemption Notice Period |
| Daily redemption frequency                            |                   |                      |                          |
| Equity mutual funds                                   | \$ 78,780         | \$ -                 | Daily                    |
| Monthly redemption frequency                          |                   |                      |                          |
| Fixed income mutual funds                             | 32,644            | -                    | 10-30 Days               |
| Multi-strategy, debt, private equity, and hedge funds | 2,975             | -                    | 30-90 Days               |
| Quarterly redemption frequency                        |                   |                      |                          |
| Multi-strategy, debt, private equity, and hedge funds | 71,090            | -                    | 45-90 Days               |
| Annual redemption frequency                           |                   |                      |                          |
| Multi-strategy, debt, private equity, and hedge funds | 36,348            | -                    | 45-90 Days               |
| Illiquid Investments                                  |                   |                      |                          |
| Multi-strategy, debt, private equity, and hedge funds | 131               | -                    | (A)                      |
| Real asset  | 14,953            | 4,700                | (B)                      |
|   | <u>\$ 236,921</u> | <u>\$ 4,700</u>      |                          |

- A. This category includes funds that employs a multi-strategy approach in managing the fund; capital is allocated amongst a diverse industry base, employing a broad range of strategies. Strategies include, but are not limited to convertible and derivative investing, risk arbitrage and event driven investing, energy investing, yield and credit related investing, private placements and private investments, debt portfolios, distressed investing, quantitative trading, reinsurance and risk-linked investing, fixed-income trading, structured finance, global macro trading, long/short investing, and special investments. Redemptions from certain funds in this category have been suspended as the funds are currently in the process of liquidating. During 2017, a new fund investment was established in a debt fund that has underlying investments in debt securities and the fund will be redeemed over time as payments are made on the underlying debt securities in the fund's portfolio.
  
- B. This category includes several private equity funds focused primarily on investing in a diversified portfolio of limited partnerships, limited liability companies, and private REITs, or similar entities that will be focused on Value Added opportunities in the acquisition, development, redevelopment, operation, and management of commercial real estate properties. There are limited provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds wind down over expected future periods ranging from 2-12 years.

#### **Fair Value of Financial Instruments**

The Organization considers the carrying amount of significant classes of financial instruments on the balance sheets, including cash and equivalents, receivables, assets limited as to use with readily determinable market values, other assets, accounts payable, due to other organizations, other long-term liabilities, and variable rate long-term debt to be reasonable estimates of fair value either due to their length of maturity or the existence of variable interest rates underlying such financial instruments that approximate prevailing market rates at June 30, 2017 and 2016.

The Organization's fixed rate long-term debt, including current portion, has a carrying amount that differs from its estimated fair value. The fair value of the Organization's fixed rate long-term debt is estimated using discounted cash flow analyses, based on the Organization's effective borrowing rates at respective reporting dates for similar types of arrangements. The carrying value of the Organization's fixed rate debt is \$291,855 and \$280,000 as of June 30, 2017 and 2016, respectively. The fair value of the Organization's fixed rate debt is estimated to be \$303,027 and \$300,374 as of June 30, 2017 and 2016, respectively.



**Note 5 - Property and Equipment**

A summary of property and equipment is as follows:

|                            | 2017                |                             | 2016                |                             |
|----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
|                            | Cost                | Accumulated<br>Depreciation | Cost                | Accumulated<br>Depreciation |
| Land                       | \$ 61,345           | \$ -                        | \$ 55,202           | \$ -                        |
| Land improvements          | 26,582              | 15,920                      | 26,325              | 16,810                      |
| Buildings and improvements | 1,035,454           | 487,223                     | 977,400             | 449,942                     |
| Equipment                  | 671,473             | 478,693                     | 638,704             | 444,971                     |
| Construction in progress   | 30,669              | -                           | 40,842              | -                           |
|                            | <u>\$ 1,825,523</u> | <u>\$ 981,836</u>           | <u>\$ 1,738,473</u> | <u>\$ 911,723</u>           |
| Net property and equipment |                     | <u>\$ 843,687</u>           |                     | <u>\$ 826,750</u>           |

Construction in progress at June 30, 2017 consists of various land, building, software, and equipment projects. The largest project in process is the construction of a new facility located in the southern part of Sioux Falls, South Dakota (“Avera on Louise”). The Avera on Louise campus will include a 24-bed orthopedic hospital with surgical suites and pre and post-surgical rooms (with shell space for future growth), a gastroenterology ambulatory facility with procedure rooms and clinic space, a medical office building for specialty clinics and a health and sports facility to include space for physical and orthopedic therapy. The Organization is also constructing a new oncology center at the Avera St. Mary’s campus in Pierre, South Dakota. Additional remodeling and addition projects are also planned across other Avera facilities. The estimated cost to complete the projects is approximately \$240,979 and which will be financed through the recently completed Series 2017 bond financing discussed in Note 18 and other cash and investment reserves. The estimated cost to complete the projects includes contract commitments of approximately \$31,488 as of June 30, 2017.

**Note 6 - Investments in Affiliated Organizations**

The Organization and subsidiaries are participants in various investments in affiliated organizations with ownership/sponsorship percentages ranging from 15.5% to 50%. Investments consist of the following as of June 30, 2017 and 2016:

| Organization Name                             | Percent<br>Ownership/<br>Sponsorship | 2017             | 2016             |
|---|--------------------------------------|------------------|------------------|
| Innovative Institute, LLC                     | 15.5%                                | \$ 12,491        | \$ 10,000        |
| Other investments in affiliates               | 25.0% - 50.0%                        | 3,925            | 4,815            |
| Total equity method investments               |                                      | 16,416           | 14,815           |
| ExceleraRx, LLC (cost method)                 |                                      | 2,015            | 2,015            |
| Total investments in affiliated organizations |                                      | <u>\$ 18,431</u> | <u>\$ 16,830</u> |

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Summary financial information on a combined basis for the above entities, as of and for the years ended June 30, 2017 and 2016, is as follows:

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| Cash and cash equivalents                             | \$ 41,696         | \$ 58,044         |
| Other current assets                                  | 51,361            | 34,715            |
| Land, buildings, and equipment - net                  | 162,983           | 131,123           |
| Other non-current assets                              | <u>36,393</u>     | <u>14,466</u>     |
| Total assets  | <u>\$ 292,433</u> | <u>\$ 238,348</u> |
| Total current liabilities                             | \$ 64,664         | \$ 161,504        |
| Long-term liabilities                                 | 129,513           | 7,039             |
| Net assets/stockholders' equity                       | <u>98,256</u>     | <u>69,805</u>     |
| Total liabilities and net assets/stockholders' equity | <u>\$ 292,433</u> | <u>\$ 238,348</u> |
| Total revenues  | \$ 225,351        | \$ 191,316        |
| Total expenses  | <u>(209,786)</u>  | <u>(195,030)</u>  |
| Net income (loss)                                     | <u>\$ 15,565</u>  | <u>\$ (3,714)</u> |

**Note 7 - Goodwill and Intangible Assets**

Changes in the carrying amount of goodwill during the years ended June 30, 2017 and 2016, were as follows:

|                            | <u>2017</u>      | <u>2016</u>      |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 91,963        | \$ 73,053        |
| Goodwill acquired          | 6,497            | 19,110           |
| Goodwill impaired          | <u>-</u>         | <u>(200)</u>     |
| Balance, end of year       | <u>\$ 98,460</u> | <u>\$ 91,963</u> |

Intangible assets as of June 30, 2017 and 2016 consist of:

|                        | <u>Cost</u>      | <u>Accumulated<br/>Amortization</u> | <u>Net</u>       |
|------------------------|------------------|-------------------------------------|------------------|
| Balance, June 30, 2017 |                  |                                     |                  |
| Non-compete agreements | \$ 13,975        | \$ (11,130)                         | \$ 2,845         |
| Medical records        | 7,614            | (4,542)                             | 3,072            |
| Other                  | 9,390            | (6,209)                             | 3,181            |
|                        | <u>\$ 30,979</u> | <u>\$ (21,881)</u>                  | <u>\$ 9,098</u>  |
| Balance, June 30, 2016 |                  |                                     |                  |
| Non-compete agreements | \$ 14,236        | \$ (10,428)                         | \$ 3,808         |
| Medical records        | 7,910            | (4,150)                             | 3,760            |
| Other                  | 9,390            | (5,404)                             | 3,986            |
|                        | <u>\$ 31,536</u> | <u>\$ (19,982)</u>                  | <u>\$ 11,554</u> |

Amortization expense for the years ended June 30, 2017 and 2016 was \$2,312 and \$2,436, respectively.

Estimated future amortization expense is as follows:

| <u>Years Ending June 30,</u> |                 |
|------------------------------|-----------------|
| 2018                         | \$ 2,055        |
| 2019                         | 1,526           |
| 2020                         | 891             |
| 2021                         | 677             |
| 2022                         | 506             |
| Thereafter                   | 3,443           |
|                              | <u>\$ 9,098</u> |

**Note 8 - Long-Term Debt**

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| Obligated Group Master Trust Obligations  |             |             |
| South Dakota Health and Educational Facilities Authority Revenue<br>Bonds Payable, Series 2008B, 5.25% to 5.50%, interest only until<br>July 1, 2033, then varying annual installments to July 1, 2038  | \$ 50,320   | \$ 50,320   |
| Unamortized bond discount   | (205)       | (216)       |
| Unamortized debt issuance costs   | (289)       | (304)       |
| South Dakota Health and Educational Facilities Authority Series 2008C<br>Variable Rate Demand Revenue Bonds, 1.16% to 1.51% during the fiscal<br>year for a weighted average interest rate of 1.28%, varying annual<br>installments through tender date of April 2022 with a stated maturity<br>of July 1, 2033                       | 55,750      | 57,850      |
| Unamortized debt issuance costs   | -           | (21)        |
| South Dakota Health and Educational Facilities Authority Series 2012A Revenue<br>Bonds, fixed interest rates ranging from 3.00% to 5.00%, due in varying semi-<br>annual interest payments and annual principal payments to July 1, 2042  | 64,230      | 66,115      |
| Unamortized bond premium  | 2,952       | 3,132       |
| Unamortized debt issuance costs   | (746)       | (792)       |
| South Dakota Health and Educational Facilities Authority Series 2012B Revenue<br>Bonds, variable interest rates from 1.40% to 1.84% during the fiscal year for<br>a weighted average interest rate of 1.58%, varying principal payments<br>due annually through initial tender date of May 1, 2019, final maturity of<br>July 1, 2038 | 120,735     | 122,850     |
| Unamortized debt issuance costs   | (75)        | (116)       |
| South Dakota Health and Educational Facilities Authority Series 2014A Revenue<br>Bonds, fixed interest rates ranging from 4.125% to 5.00%, interest only until<br>July 1, 2039, then varying annual installments to July 1, 2044  | 58,750      | 58,750      |
| Unamortized bond premium  | 2,747       | 2,855       |
| Unamortized debt issuance costs   | (735)       | (764)       |
| Term note obligations payable to financial institutions   |             |             |
| Series 2012C, fixed interest rate of 2.80%, due in monthly payments<br>of \$73 with final balloon payment due August 1, 2026  | 15,648      | 16,084      |
| Unamortized debt issuance costs   | -           | (23)        |
| Series 2012D, fixed interest rate of 2.95%, due in monthly<br>payments of \$97 through October 1, 2022  | 5,708       | 6,681       |
| Series 2012E, fixed interest rate of 2.70%, due in monthly<br>payments of \$46 with final balloon payment due January 1, 2020   | 8,754       | 9,040       |
| Series 2015A, 3.55% fixed interest rate to initial term, interest<br>due monthly with annual principal payments of \$1,080 beginning<br>July 1, 2016 with a final balloon payment due June 29, 2025   | 25,920      | 27,000      |
| Series 2016A, fixed interest rate of 2.92%, due in monthly<br>payments of \$118 with a final balloon payment due February 1, 2026   | 24,045      | 24,736      |
| Series 2017A, fixed interest rate of 2.90%, due in monthly<br>payments of \$106 with a final balloon payment due July 1, 2024   | 19,250      | -           |
| Unamortized debt issuance costs   | (36)        | -           |
| Total Master Trust Indenture Obligations  | 452,723     | 443,177     |

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|  | 2017     | 2016     |
|--|----------|----------|
| Other Obligations of Obligated Group Members   |          |          |
| City of Creighton Health Care Facility Revenue Bonds, due annually<br>in increasing installments through December 15, 2026   |          |          |
| Series 2006A, 4.375%   | \$ 2,315 | \$ 2,508 |
| Series 2006B, 4.375%   | 81       | 87       |
| Notes payable, 4.00% fixed interest, resets to a variable rate note on<br>January 1, 2019 at the prime rate plus 1% subject to 4.00% floor, due in<br>monthly principal and interest payments of \$47 with final balloon<br>payment due July 1, 2024 | 6,353    | 6,649    |
| Unamortized debt issuance costs  | (34)     | (39)     |
| Note payable, variable interest at LIBOR + 1.72% (2.94% at<br>June 30, 2017), monthly principal and interest payments of<br>\$125 with final balloon payment due September 2020  | 7,529    | 9,036    |
| Unamortized debt issuance costs  | (1)      | (4)      |
| Notes payable to equipment lender, annual fixed rates of interest<br>from 2.26% to 3.76%, due in monthly principal and interest<br>payments to March 2022  | 5,166    | 5,923    |
| Note payable, fixed interest rate of 2.00%, due in annual payments<br>of \$52 through April 2018   | 50       | 100      |
| Note payable, fixed interest rate of 3.968%, due in varying annual<br>payments through August 2019   | 240      | 320      |
| Notes payable, fixed interest rates from 0% to 5%, due in monthly principal<br>and interest payments through December 2023   | 242      | 300      |
| Capital lease obligations  | 108      | 223      |
| Total Other Obligations of Obligated Group Members   | 22,049   | 25,103   |

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|   | 2017       | 2016       |
|---|------------|------------|
| Obligations of Non-Obligated Group Members  |            |            |
| City of Estherville, Iowa, Avera Holy Family Health Revenue<br>Bonds, Series 2012, 2.05% to 3.75% (effective interest rate of 3.34%),<br>due annually in increasing amounts to July 1, 2026   | \$ 2,865   | \$ 3,115   |
| Unamortized debt issuance costs   | (96)       | (105)      |
| City of O'Neill, Nebraska, Avera St. Anthony's, Series 2012A<br>Revenue Refunding Note, 3.25%, due in monthly payments of \$70<br>through December 2027   | 7,406      | 7,992      |
| Unamortized debt issuance costs   | (30)       | (33)       |
| City of O'Neill, Nebraska, Avera St. Anthony's, Series 2012B<br>Revenue Refunding Note, 4.75%, due in monthly payments of \$11<br>through December 2027   | 1,109      | 1,189      |
| Unamortized debt issuance costs   | (5)        | (5)        |
| City of Parkston, South Dakota, Avera St. Benedict Health Center,<br>Series 2001, revenue bonds, 4.50%, due in varying annual installments<br>to October 2016   | -          | 40         |
| City of Parkston, South Dakota, Avera St. Benedict Health Center,<br>Series 2005, revenue bonds, 3.50%, for five years, with interest rate<br>readjusted every five years according to a preset formula, due in<br>varying annual installments to April 2025, interest rate to be<br>adjusted in May 2020 | 1,040      | 1,170      |
| Unamortized debt issuance costs   | (8)        | (10)       |
| Total Obligations of Non-Obligated Group Members  | 12,281     | 13,353     |
| Total long-term debt  | 487,053    | 481,633    |
| Less current maturities   | (16,199)   | (15,783)   |
| Long-term debt, less current maturities   | \$ 470,854 | \$ 465,850 |

Long-term debt maturities are as follows for the years ending June 30:

|   |            |
|---|------------|
| 2018                                    | \$ 16,199  |
| 2019                                    | 15,857     |
| 2020                                    | 23,838     |
| 2021                                    | 15,566     |
| 2022                                    | 15,861     |
| Thereafter                              | 396,293    |
|   | 483,614    |
| Unamortized bond premiums and discounts | 5,494      |
| Unamortized debt issuance costs         | (2,055)    |
|   | \$ 487,053 |

Substantially all of the Organization's assets and revenues as of June 30, 2017 and 2016 are pledged as collateral for debt obligations. Various debt agreements of the Organization contain certain restrictive covenants, including the maintenance of specific financial ratios and liquidity measures.

Debt issuance costs and bond discounts and premiums are amortized over the period the related obligation is outstanding using the effective interest method. Amortization of debt issuance costs is included in interest expense in the consolidated financial statements. Amortization of debt issuance costs, discounts, and premiums do not have a significant impact on the effective interest rates of the related debt issues.

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

### **Obligated Group**

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

### **Line of Credit**

A consolidated subsidiary of the Organization has a \$3,500 working capital line of credit provided by a mortgage lender, and is subject to the interest rate, covenants, guarantee and collateral of the real estate loan which is to expire in December 2018. No amounts were outstanding under this line of credit at June 30, 2017 and 2016.

### **Note 9 - Leases**

The Organization leases certain operations, equipment, and building space under various lease agreements with varying terms. The Organization also participates in leases that are categorized as capital leases. The leased assets have a net book value of approximately \$89 and \$200 as of June 30, 2017 and 2016, respectively. Total lease expense for all operating leases and rental agreements was approximately \$21,016 and \$19,664 for the years ended June 30, 2017 and 2016, respectively.

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

| <u>Years Ending June 30,</u>                     | <u>Capital<br/>Leases</u> | <u>Operating<br/>Leases</u> |
|--|---------------------------|-----------------------------|
| 2018   | \$ 96                     | \$ 10,497                   |
| 2019   | 9                         | 7,958                       |
| 2020   | 6                         | 6,314                       |
| 2021   | -                         | 4,914                       |
| 2022   | -                         | 2,641                       |
| Thereafter                                       | -                         | 24,142                      |
| Total minimum lease payments                     | 111                       | <u>\$ 56,466</u>            |
| Less interest                                    | <u>(3)</u>                |                             |
| Present value of minimum lease payments - Note 8 | <u>\$ 108</u>             |                             |

#### Note 10 - Interest Rate Swaps

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

| <u>Reference</u> | <u>Maturity<br/>Date</u> | <u>Notional<br/>Amount</u> | <u>Organization<br/>Pays</u> | <u>Organization<br/>Receives</u> | <u>Fair Value</u>  |                    |
|------------------|--------------------------|----------------------------|------------------------------|----------------------------------|--------------------|--------------------|
|                  |                          |                            |                              |                                  | <u>2017</u>        | <u>2016</u>        |
| Swap A           | 2028                     | \$ 16,250                  | 3.870%                       | 67% of LIBOR                     | \$ (2,267)         | \$ (3,384)         |
| Swap B           | 2033                     | \$ 41,675                  | 3.915%                       | 67% of LIBOR                     | (8,806)            | (12,485)           |
| Swap C           | 2020                     | \$ 6,024                   | 4.130%                       | LIBOR +1.72%                     | <u>(336)</u>       | <u>(690)</u>       |
|                  |                          |                            |                              |                                  | <u>\$ (11,409)</u> | <u>\$ (16,559)</u> |

The Organization originally entered into these swaps to convert variable rate debt to synthetic fixed rate debt in order to offset the variability of the overall cash flows caused by market changes on a portion of their variable rate debt exposure.



Effective July 1, 2009, the Organization elected to discontinue the designation of Swap A and Swap B as cash flow hedges. The net unrealized loss on the date of hedge accounting discontinuance of \$9,702 is being prospectively reclassified into revenues in excess of expenses as future interest payments are made over the remaining term of the swap agreements. For the years ended June 30, 2017 and 2016, \$432 and \$504 was reclassified into revenues in excess of expenses in relation to the hedge discontinuance. The aggregate fair value of the swap agreements was recorded as a long term liability of \$11,073 and \$15,869 as of June 30, 2017 and 2016, respectively. The change in fair value of \$4,796 and \$(3,139) was recorded to revenues in excess of expenses for the years ended June 30, 2017 and 2016, respectively.

The Organization has designated Swap C as a cash flow hedging instrument, and determined the agreement to be highly effective. The fair value of the swap agreement was recorded as a long term liability of \$336 and \$690 as of June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the changes in fair value of \$354 and \$73, respectively, of the swap were recorded to other changes in net assets.

The following table summarizes the derivative transactions reflected in the consolidated balance sheets and consolidated statements of operations for the years ended June 30, 2017 and 2016:

|  | 2017        | 2016        |
|--|-------------|-------------|
| Long-term Liability  |             |             |
| Fair value of interest rate swap agreements  | \$ (11,409) | \$ (16,559) |
| Revenues in Excess of Expenses   |             |             |
| Change in fair value of interest rate swaps<br>not designated as hedging instruments | \$ 4,796    | \$ (3,139)  |
| Reclassification of accumulated losses on interest rate swaps                        | (432)       | (504)       |
| Interest expense   | 2,218       | 2,500       |
| Other Changes in Net Assets  |             |             |
| Change in fair value of interest rate swaps<br>designated as hedging instruments     | \$ 354      | \$ 73       |
| Reclassification of accumulated losses on interest rate swaps                        | 432         | 504         |

## Note 11 - Commitments

The Organization has entered into several agreements that are accounted for as unconditional and conditional promises to give. Unconditional promises to give are recorded as other current and non-current liabilities in the consolidated balance sheets. The Organization also entered into contracts that are considered exchange transactions resulting in purchase commitments.

A summary of outstanding commitments under conditional promises to give and other long-term contractual purchase commitments is as follows for the years ending June 30:

|            |    |        |
|------------|----|--------|
| 2018       | \$ | 12,894 |
| 2019       |    | 3,864  |
| 2020       |    | 3,254  |
| 2021       |    | 1,595  |
| 2022       |    | 2,427  |
| Thereafter |    | 2,580  |
|            |    | 2,580  |
|            | \$ | 26,614 |

**Alternative Investment Commitment**

The Organization has commitments to invest approximately \$11.0 million in various alternative investments.

**Other Commitments**

Avera Health Plans, Inc. and South Dakota State Medical Holding Company, Inc. dba Dakotacare, affiliates of the Organization, are required to maintain a minimum net worth under the laws of the State of South Dakota. As of June 30, 2017, management believes they have met the minimum net worth requirements.

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

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

|  | 2017      | 2016      |
|--|-----------|-----------|
| Various health care programs and capital projects, including hospice, cancer care, various regional operations, and others | \$ 38,968 | \$ 34,418 |

Permanently restricted net assets at June 30, 2017 and 2016, are restricted to:

|   | 2017     | 2016     |
|---|----------|----------|
| Investments to be held in perpetuity, the income from which is expendable to support various health care program services | \$ 7,382 | \$ 6,809 |

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

Until December 31, 2016, eligible employees of Avera Health and certain consolidated affiliates participated in either the Retirement Plan for Employees of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota (“Defined Benefit Pension Plan – Career Average”) or the Cash Balance Retirement Plan for Employees of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen South Dakota (“Defined Benefit Pension Plan – Cash Balance”), (collectively, the “Plans”). The Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota, sponsor these multiemployer retirement plans. In July 2000, qualified employees under the Defined Benefit Pension Plan – Career Average plan were provided a one-time irrevocable election to continue to participate in the Defined Benefit Pension Plan – Career Average plan or, alternatively, participate in a new Defined Benefit Pension Plan – Cash Balance plan. The Plans are not subject to regulations requiring the filing of IRS Form 5500. The Plans’ fiscal years are from January 1 to December 31. On December 31, 2016, these Plans were frozen to new entrants and benefit accruals for existing participants. Existing participants will continue to retain all benefits in the plans and will accrue interest as determined by the plan documents. As of January 1, 2017, all employees meeting eligibility requirements participate in only the 403(b) plan, which was amended as of that date with different eligibility and benefit provisions.

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

Under the Career Average plan, employees in an eligible class who were in service on or after January 1, 1988 became active members on the first day of the month coinciding with or next following the date they met the eligibility requirements of age 21 and one year of service. Pension benefits are based on a percentage of the employee’s eligible earnings and are payable at retirement under several annuitized payment options. During the years ended June 30, 2017 and 2016, the Organization contributed approximately \$17,689 and \$21,024, respectively, to the Career Average plan.

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

Under the Cash Balance plan, employees first employed or reemployed after June 30, 2000 become active members on the first day of the month coinciding with or next following the date they meet the eligibility requirements of age 21 and one year of service. Pension benefits are based on a percentage of the employee’s eligible earnings and are payable at retirement under several annuitized payment options. During the years ended June 30, 2017 and 2016, the Organization contributed approximately \$8,386 and \$13,422, respectively, to the Cash Balance plan.

The latest available financial information available for the Plans as of June 30, 2017 is as follows:

| <u>Pension Plan</u>                              | <u>EIN</u> | <u>December 31,<br/>2016<br/>Plan Assets</u> | <u>December 31,<br/>2016<br/>Actuarial<br/>Present Value<br/>of Accumulated<br/>Plan Benefits</u> | <u>Year Ended<br/>December 31,<br/>2016<br/>Total Plan<br/>Contributions</u> |
|--|------------|--|---|--|
| Defined Benefit Pension Plan –<br>Career Average | 46-0253283 | \$ 351,742                                   | \$ 429,655  | \$ 21,213  |
| Defined Benefit Pension Plan –<br>Cash Balance   | 46-0253283 | 98,067                                       | 105,036   | 11,303   |
|  |            | <u>\$ 449,809</u>                            | <u>\$ 534,691</u>   | <u>\$ 32,516</u>   |

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

Eligible employees that participate in the Cash Balance Plan discussed above were also eligible to participate in a defined contribution pension plan (“403(b) Plan”). Additionally, as of January 1, 2017, the 403(b) Plan was amended where all employees meeting the eligibility requirements now participate in the 403(b) Plan. Under the 403(b) Plan, participant contributions are matched up to 5% (2% through December 31, 2016) of eligible employee compensation. In addition, employees of the defined benefit plans noted above are eligible to receive an additional contribution (“bridge payment”) over the next five years based on specified age and employed tenure requirements determined based on their employment as of December 31 annually. The estimated bridge payment has been accrued as of June 30, 2017. The Organization recognized total 403(b) Plan expenses of approximately \$22,481 and \$9,129 for the years ended June 30, 2017 and 2016, respectively.

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

Certain consolidated affiliates have defined contribution pension plans available to eligible employees. Employer contributions are based on a percentage of annual compensation and employee level of contributions. Employee and employer contributions are deposited with the plan trustees who invest the plan assets. The Organization recognized total other defined contribution pension plan expenses of approximately \$3,486 and \$3,646 for the years ended June 30, 2017 and 2016, respectively.

### **Note 14 - Contingencies**

#### **Malpractice Insurance**

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

**Litigation, Regulatory and Compliance Matters**

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

In addition, during the course of business, Avera Health becomes involved in litigation. Management assesses the probable outcome of unresolved litigation and investigations and determines the appropriate accounting recognition or disclosure based on their assessment. As of June 30, 2017 and 2016, management feels there are no asserted or unasserted claims that would have a material impact on the consolidated financial position, results of operations, or cash flows of the Organization.

**Note 15 - Concentrations**

**Credit Risk**

The Organization grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients and residents at June 30, 2017 and 2016, are as follows:

|  | 2017 | 2016 |
|--|------|------|
| Medicare   | 35%  | 35%  |
| Blue Cross                                       | 15%  | 16%  |
| Medicaid   | 8%   | 8%   |
| Commercial insurance                             | 11%  | 11%  |
| Other third-party payors, patients and residents | 31%  | 30%  |
|  | 100% | 100% |

The Organization’s cash balances are maintained in various bank deposit accounts. At times during the years ended June 30, 2017 and 2016, the consolidated balances of these deposits were in excess of federally-insured limits.

**Note 16 - Functional Expenses**

The Organization provides general health care services to patients and residents within its geographic location. Expenses related to providing these services are as follows for the years ended June 30, 2017 and 2016:

|                            | 2017         | 2016         |
|----------------------------|--------------|--------------|
| Program services           | \$ 1,652,488 | \$ 1,466,760 |
| General and administrative | 339,799      | 322,972      |
| Fundraising                | 2,210        | 1,994        |
|                            | \$ 1,994,497 | \$ 1,791,726 |

**Note 17 - Business Combinations**

**2017 Acquisitions**

During the year ended June 30, 2017, the Organization closed on purchase agreements for the acquisition of the assets of a specialty hospital and various medical practices. Accordingly, the results of operations for these acquisitions have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition dates.

The total purchase prices for 2017 acquisitions were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2017 as follows:

|  |           |
|--|-----------|
| Receivables and other assets                             | \$ 187    |
| Property and equipment, net                              | 14,778    |
| Goodwill   | 6,497     |
| Intangible assets  | 692       |
| Total assets acquired                                    | 22,154    |
| Liabilities assumed                                      | -         |
| Cash paid in business acquisitions, net of cash acquired | \$ 22,154 |

Pro forma unrestricted revenue, gains, and other support and operating income as well as additional pro forma disclosures for changes in net assets have been omitted because of impracticality of measuring certain amounts prior to the acquisition date related to 2017 acquisitions.

**2016 Acquisitions**

During the year ended June 30, 2016, the Organization closed on purchase and affiliation agreements for the acquisition of a health insurer and its affiliated subsidiary, a rural hospital and nursing home, and various medical and other health and wellness practices. Accordingly, the results of operations for these acquisitions have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition dates.

The total purchase prices for 2016 acquisitions were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2016 as follows:

|  |           |
|--|-----------|
| Receivables and other assets                             | \$ 21,898 |
| Property and equipment, net                              | 5,466     |
| Goodwill   | 19,110    |
| Intangible assets  | 606       |
| Investments and other assets                             | 7,775     |
| Total assets acquired                                    | 54,855    |
| Liabilities assumed                                      | (45,923)  |
| Cash paid in business acquisitions, net of cash acquired | \$ 8,932  |

**Note 18 - Subsequent Events**

The Organization has evaluated subsequent events through November 17, 2017, the date which the consolidated financial statements were available to be issued.

Avera Health, through the South Dakota Health and Educational Facilities Authority, issued \$223,075 of Revenue Refunding Bonds, Series 2017, in October 2017. The Series 2017 Bonds have stated interest rates ranging from 3.0% to 5.0% with maturity dates through July 1, 2046. The proceeds of the Series 2017 Bonds will be used to refund all of the outstanding Series 2008B Bonds disclosed in Note 11, provide funding for the Avera on Louise project discussed in Note 8 and an oncology center at the Avera St. Mary's campus in Pierre, South Dakota, and provide reimbursement for approximately \$29,000 of past capital projects.



Supplementary Consolidating Information  
June 30, 2017

**Avera Health**



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|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated        |
|--|-----------------------------|------------------------|--|---------------------|
| <b>Assets</b>                                    |                             |                        |  |                     |
| <b>Current Assets</b>                            |                             |                        |  |                     |
| Cash and cash equivalents                        | \$ 67,237                   | \$ 55,200              | \$ -                                     | \$ 122,437          |
| Assets limited as to use                         | 8,044                       | 20,909                 | -  | 28,953              |
| <b>Receivables</b>                               |                             |                        |  |                     |
| Patients and residents, net                      | 211,001                     | 16,249                 | (12,025)                                 | 215,225             |
| Other  | 49,107                      | 11,676                 | (4,427)                                  | 56,356              |
| Supplies   | 37,650                      | 3,412                  | -  | 41,062              |
| Prepaid expenses and other                       | 24,596                      | 5,272                  | -  | 29,868              |
| <b>Total current assets</b>                      | <b>397,635</b>              | <b>112,718</b>         | <b>(16,452)</b>                          | <b>493,901</b>      |
| <b>Assets Limited as to Use</b>                  |                             |                        |  |                     |
| Under indenture agreements                       | 596                         | 238                    | -  | 834                 |
| Other assets limited as to use                   | 799,477                     | 98,258                 | -  | 897,735             |
| <b>Total noncurrent assets limited as to use</b> | <b>800,073</b>              | <b>98,496</b>          | <b>-</b>                                 | <b>898,569</b>      |
| <b>Property and Equipment, Net</b>               | <b>793,736</b>              | <b>49,951</b>          | <b>-</b>                                 | <b>843,687</b>      |
| <b>Other Assets</b>                              |                             |                        |  |                     |
| Custodial funds held for unconsolidated entities | 35,994                      | -                      | -  | 35,994              |
| Custodial funds held for consolidated entities   | 63,481                      | -                      | (63,481)                                 | -                   |
| Investments in affiliated organizations          | 17,794                      | 637                    | -  | 18,431              |
| Goodwill   | 98,385                      | 75                     | -  | 98,460              |
| Intangible assets, net                           | 9,098                       | -                      | -  | 9,098               |
| Noncurrent receivables                           | 11,297                      | 167                    | (1,250)                                  | 10,214              |
| Other  | 37,553                      | 169                    | -  | 37,722              |
| <b>Total other assets</b>                        | <b>273,602</b>              | <b>1,048</b>           | <b>(64,731)</b>                          | <b>209,919</b>      |
| <b>Total assets</b>                              | <b>\$ 2,265,046</b>         | <b>\$ 262,213</b>      | <b>\$ (81,183)</b>                       | <b>\$ 2,446,076</b> |

Avera Health  
Consolidating Balance Sheets  
June 30, 2017  
(In Thousands)

|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated        |
|--|-----------------------------|------------------------|--|---------------------|
| <b>Liabilities and Net Assets</b>  |                             |                        |  |                     |
| <b>Current Liabilities</b>   |                             |                        |  |                     |
| Current maturities of long-term debt   | \$ 15,131                   | \$ 1,068               | \$ -                                     | \$ 16,199           |
| Accounts payable   | 52,053                      | 12,969                 | (6,052)                                  | 58,970              |
| Accrued salaries, benefits and withholdings                                      | 90,876                      | 7,543                  | -  | 98,419              |
| Interest payable   | 5,521                       | 66                     | -  | 5,587               |
| Estimated insurance claims payable   | 16,100                      | 29,369                 | (10,400)                                 | 35,069              |
| Estimated third-party payors   | 12,628                      | 1,672                  | -  | 14,300              |
| Other  | 9,893                       | 19,205                 | -  | 29,098              |
| Total current liabilities  | <u>202,202</u>              | <u>71,892</u>          | <u>(16,452)</u>                          | <u>257,642</u>      |
| <b>Non-Current Liabilities</b>   |                             |                        |  |                     |
| Long-term debt, less unamortized premiums,<br>discounts, and debt issuance costs | 459,641                     | 11,213                 | -  | 470,854             |
| Custodial funds held for unconsolidated entities                                 | 35,994                      | -                      | -  | 35,994              |
| Custodial funds held for consolidated entities                                   | 63,481                      | -                      | (63,481)                                 | -                   |
| Estimated insurance claims payable   | 16,976                      | -                      | -  | 16,976              |
| Derivative liability   | 11,409                      | -                      | -  | 11,409              |
| Other  | 2,388                       | 4,920                  | (1,250)                                  | 6,058               |
| Total non-current liabilities  | <u>589,889</u>              | <u>16,133</u>          | <u>(64,731)</u>                          | <u>541,291</u>      |
| <b>Net Assets</b>  |                             |                        |  |                     |
| Unrestricted   | 1,413,681                   | 173,100                | -  | 1,586,781           |
| Noncontrolling interest  | 13,915                      | 97                     | -  | 14,012              |
| Total unrestricted net assets  | 1,427,596                   | 173,197                | -  | 1,600,793           |
| Temporarily restricted   | 38,206                      | 762                    | -  | 38,968              |
| Permanently restricted   | 7,153                       | 229                    | -  | 7,382               |
| Total net assets   | <u>1,472,955</u>            | <u>174,188</u>         | <u>-</u>                                 | <u>1,647,143</u>    |
| Total liabilities and net assets   | <u>\$ 2,265,046</u>         | <u>\$ 262,213</u>      | <u>\$ (81,183)</u>                       | <u>\$ 2,446,076</u> |

|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated        |
|--|-----------------------------|------------------------|--|---------------------|
| <b>Assets</b>                                    |                             |                        |  |                     |
| <b>Current Assets</b>                            |                             |                        |  |                     |
| Cash and cash equivalents                        | \$ 70,770                   | \$ 50,128              | \$ -                                     | \$ 120,898          |
| Assets limited as to use                         | 8,533                       | 22,238                 | -  | 30,771              |
| <b>Receivables</b>                               |                             |                        |  |                     |
| Patients and residents, net                      | 201,681                     | 14,137                 | (9,999)                                  | 205,819             |
| Other  | 35,763                      | 27,850                 | (5,524)                                  | 58,089              |
| Supplies   | 33,802                      | 3,013                  | -  | 36,815              |
| Prepaid expenses and other                       | 20,148                      | 5,495                  | -  | 25,643              |
| <b>Total current assets</b>                      | <b>370,697</b>              | <b>122,861</b>         | <b>(15,523)</b>                          | <b>478,035</b>      |
| <b>Assets Limited as to Use</b>                  |                             |                        |  |                     |
| Under indenture agreements                       | 583                         | 718                    | -  | 1,301               |
| Other assets limited as to use                   | 732,831                     | 67,293                 | -  | 800,124             |
| <b>Total noncurrent assets limited as to use</b> | <b>733,414</b>              | <b>68,011</b>          | <b>-</b>                                 | <b>801,425</b>      |
| <b>Property and Equipment, Net</b>               | <b>775,100</b>              | <b>51,650</b>          | <b>-</b>                                 | <b>826,750</b>      |
| <b>Other Assets</b>                              |                             |                        |  |                     |
| Custodial funds held for unconsolidated entities | 30,323                      | -                      | -  | 30,323              |
| Custodial funds held for consolidated entities   | 46,939                      | -                      | (46,939)                                 | -                   |
| Investments in affiliated organizations          | 16,228                      | 602                    | -  | 16,830              |
| Goodwill   | 91,888                      | 75                     | -  | 91,963              |
| Intangible assets, net                           | 11,542                      | 12                     | -  | 11,554              |
| Noncurrent receivables                           | 11,965                      | 234                    | (1,250)                                  | 10,949              |
| Other  | 38,971                      | 162                    | -  | 39,133              |
| <b>Total other assets</b>                        | <b>247,856</b>              | <b>1,085</b>           | <b>(48,189)</b>                          | <b>200,752</b>      |
| <b>Total assets</b>                              | <b>\$ 2,127,067</b>         | <b>\$ 243,607</b>      | <b>\$ (63,712)</b>                       | <b>\$ 2,306,962</b> |

Avera Health  
Consolidating Balance Sheets  
June 30, 2016  
(In Thousands)

|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated        |
|--|-----------------------------|------------------------|--|---------------------|
| <b>Liabilities and Net Assets</b>  |                             |                        |  |                     |
| <b>Current Liabilities</b>   |                             |                        |  |                     |
| Current maturities of long-term debt   | \$ 14,698                   | \$ 1,085               | \$ -                                     | \$ 15,783           |
| Accounts payable   | 52,125                      | 18,369                 | (4,123)                                  | 66,371              |
| Accrued salaries, benefits and withholdings                                      | 78,229                      | 6,736                  | -  | 84,965              |
| Interest payable   | 5,300                       | 64                     | -  | 5,364               |
| Estimated insurance claims payable   | 14,100                      | 33,506                 | (11,400)                                 | 36,206              |
| Estimated third-party payors   | 9,589                       | 127                    | -  | 9,716               |
| Other  | 7,809                       | 13,774                 | -  | 21,583              |
| Total current liabilities  | <u>181,850</u>              | <u>73,661</u>          | <u>(15,523)</u>                          | <u>239,988</u>      |
| <b>Non-Current Liabilities</b>   |                             |                        |  |                     |
| Long-term debt, less unamortized premiums,<br>discounts, and debt issuance costs | 453,582                     | 12,268                 | -  | 465,850             |
| Custodial funds held for unconsolidated entities                                 | 30,323                      | -                      | -  | 30,323              |
| Custodial funds held for consolidated entities                                   | 46,939                      | -                      | (46,939)                                 | -                   |
| Estimated insurance claims payable   | 18,769                      | -                      | -  | 18,769              |
| Derivative liability   | 16,559                      | -                      | -  | 16,559              |
| Other  | 3,148                       | 6,708                  | (1,250)                                  | 8,606               |
| Total non-current liabilities  | <u>569,320</u>              | <u>18,976</u>          | <u>(48,189)</u>                          | <u>540,107</u>      |
| <b>Net Assets</b>  |                             |                        |  |                     |
| Unrestricted   | 1,321,957                   | 149,949                | -  | 1,471,906           |
| Noncontrolling interest  | 13,637                      | 97                     | -  | 13,734              |
| Total unrestricted net assets  | 1,335,594                   | 150,046                | -  | 1,485,640           |
| Temporarily restricted   | 33,713                      | 705                    | -  | 34,418              |
| Permanently restricted   | 6,590                       | 219                    | -  | 6,809               |
| Total net assets   | <u>1,375,897</u>            | <u>150,970</u>         | <u>-</u>                                 | <u>1,526,867</u>    |
| Total liabilities and net assets   | <u>\$ 2,127,067</u>         | <u>\$ 243,607</u>      | <u>\$ (63,712)</u>                       | <u>\$ 2,306,962</u> |

Avera Health  
Consolidating Statements of Operations  
For the Year Ended June 30, 2017  
(In Thousands)

|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated      |
|--|-----------------------------|------------------------|--|-------------------|
| <b>Unrestricted Revenues, Gains, and Other Support</b>   |                             |                        |  |                   |
| Net patient and resident service revenue   | \$ 1,623,669                | \$ 127,147             | \$ (96,710)                              | \$ 1,654,106      |
| Provision for bad debts  | (39,121)                    | (2,152)                | -  | (41,273)          |
| Net patient service revenue,<br>less provision for bad debt  | 1,584,548                   | 124,995                | (96,710)                                 | 1,612,833         |
| Premium revenue  | -                           | 308,809                | -  | 308,809           |
| Other revenue  | 117,805                     | 17,462                 | (11,154)                                 | 124,113           |
| <b>Total revenues, gains, and other support</b>  | <b>1,702,353</b>            | <b>451,266</b>         | <b>(107,864)</b>                         | <b>2,045,755</b>  |
| <b>Expenses</b>  |                             |                        |  |                   |
| Salaries, wages and benefits   | 977,743                     | 88,623                 | -  | 1,066,366         |
| Supplies   | 337,028                     | 17,875                 | -  | 354,903           |
| Other  | 245,236                     | 48,215                 | (11,154)                                 | 282,297           |
| Claims expense   | -                           | 274,562                | (96,710)                                 | 177,852           |
| Interest   | 16,569                      | 463                    | -  | 17,032            |
| Depreciation and amortization  | 88,970                      | 7,077                  | -  | 96,047            |
| <b>Total expenses</b>  | <b>1,665,546</b>            | <b>436,815</b>         | <b>(107,864)</b>                         | <b>1,994,497</b>  |
| <b>Operating Income</b>  | <b>36,807</b>               | <b>14,451</b>          | <b>-</b>                                 | <b>51,258</b>     |
| <b>Other Income (Losses)</b>   |                             |                        |  |                   |
| Investment income - realized   | 57,953                      | 5,584                  | -  | 63,537            |
| Investment income - unrealized   | 3,490                       | 922                    | -  | 4,412             |
| Other nonoperating, net  | (8,249)                     | 507                    | -  | (7,742)           |
| Change in fair value of interest rate<br>swaps not designated as hedges                                      | 4,796                       | -                      | -  | 4,796             |
| Reclassification of accumulated<br>losses on interest rate swaps   | (432)                       | -                      | -  | (432)             |
| <b>Other income, net</b>   | <b>57,558</b>               | <b>7,013</b>           | <b>-</b>                                 | <b>64,571</b>     |
| <b>Revenues in Excess of Expenses</b>  | <b>94,365</b>               | <b>21,464</b>          | <b>-</b>                                 | <b>115,829</b>    |
| Net equity transfers   | (1,509)                     | 1,509                  | -  | -                 |
| Investment by noncontrolling interests, and<br>distributions of earnings to noncontrolling<br>interests, net | (6,248)                     | -                      | -  | (6,248)           |
| Reclassification of accumulated losses<br>on interest rate swap  | 432                         | -                      | -  | 432               |
| Grants and contributions for capital purposes  | 3,081                       | -                      | -  | 3,081             |
| Net assets released from restrictions<br>for purchases of property and equipment                             | 1,782                       | 104                    | -  | 1,886             |
| Other changes in unrestricted net assets   | 99                          | 74                     | -  | 173               |
| <b>Increase in Unrestricted Net Assets</b>   | <b>\$ 92,002</b>            | <b>\$ 23,151</b>       | <b>\$ -</b>                              | <b>\$ 115,153</b> |

Avera Health  
Consolidating Statements of Operations  
For the Year Ended June 30, 2016  
(In Thousands)

|  | Avera<br>Obligated<br>Group | Non-Obligated<br>Group | Eliminations<br>and<br>Reclassifications | Consolidated     |
|--|-----------------------------|------------------------|--|------------------|
| <b>Unrestricted Revenues, Gains, and Other Support</b>   |                             |                        |  |                  |
| Net patient and resident service revenue   | \$ 1,525,487                | \$ 116,747             | \$ (67,630)                              | \$ 1,574,604     |
| Provision for bad debts  | (40,948)                    | (2,301)                | -  | (43,249)         |
| Net patient service revenue,<br>less provision for bad debt  | 1,484,539                   | 114,446                | (67,630)                                 | 1,531,355        |
| Premium revenue  | -                           | 190,099                | -  | 190,099          |
| Other revenue  | 106,831                     | 18,006                 | (10,403)                                 | 114,434          |
| <b>Total revenues, gains, and other support</b>  | <b>1,591,370</b>            | <b>322,551</b>         | <b>(78,033)</b>                          | <b>1,835,888</b> |
| <b>Expenses</b>  |                             |                        |  |                  |
| Salaries, wages and benefits   | 911,900                     | 78,885                 | -  | 990,785          |
| Supplies   | 300,046                     | 16,669                 | -  | 316,715          |
| Other  | 237,079                     | 42,570                 | (10,403)                                 | 269,246          |
| Claims expense   | -                           | 179,468                | (67,630)                                 | 111,838          |
| Interest   | 15,241                      | 658                    | (168)                                    | 15,731           |
| Depreciation and amortization  | 80,690                      | 6,721                  | -  | 87,411           |
| <b>Total expenses</b>  | <b>1,544,956</b>            | <b>324,971</b>         | <b>(78,201)</b>                          | <b>1,791,726</b> |
| <b>Operating Income (Loss)</b>   | <b>46,414</b>               | <b>(2,420)</b>         | <b>168</b>                               | <b>44,162</b>    |
| <b>Other Income (Losses)</b>   |                             |                        |  |                  |
| Investment income - realized   | 12,027                      | 1,343                  | (168)                                    | 13,202           |
| Investment income - unrealized   | (20,792)                    | (177)                  | -  | (20,969)         |
| Other nonoperating, net  | (10,721)                    | (364)                  | -  | (11,085)         |
| Change in fair value of interest rate<br>swaps not designated as hedges                                      | (3,139)                     | -                      | -  | (3,139)          |
| Reclassification of accumulated<br>losses on interest rate swaps   | (504)                       | -                      | -  | (504)            |
| <b>Other (loss) income, net</b>  | <b>(23,129)</b>             | <b>802</b>             | <b>(168)</b>                             | <b>(22,495)</b>  |
| <b>Revenues in Excess of (Less Than) Expenses</b>  | <b>23,285</b>               | <b>(1,618)</b>         | <b>-</b>                                 | <b>21,667</b>    |
| Net equity transfers   | (55,956)                    | 48,095                 | 7,861                                    | -                |
| Investment by noncontrolling interests, and<br>distributions of earnings to noncontrolling<br>interests, net | (6,483)                     | -                      | -  | (6,483)          |
| Reclassification of accumulated losses<br>on interest rate swap  | 504                         | -                      | -  | 504              |
| Grants and contributions for capital purposes  | 3,279                       | -                      | -  | 3,279            |
| Net assets released from restrictions<br>for purchases of property and equipment                             | 8,489                       | -                      | -  | 8,489            |
| Other changes in unrestricted net assets   | 106                         | -                      | -  | 106              |
| <b>(Decrease) Increase in Unrestricted Net Assets</b>  | <b>\$ (26,776)</b>          | <b>\$ 46,477</b>       | <b>\$ 7,861</b>                          | <b>\$ 27,562</b> |