

# Avera St. Luke's

## 2016 Return of Organization Exempt from Tax (Form 990) 2016 Exempt Organization Business Income Tax Return (Form 990-T)

Year-End June 30, 2017

*Public Disclosure*

### **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.

Form **990**

Department of the Treasury  
Internal Revenue Service

# Return of Organization Exempt From Income Tax

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

▶ Do not enter social security numbers on this form as it may be made public.  
▶ Information about 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

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

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization Avera St. Luke's		<b>D</b> Employer identification number 46-0224598
	Doing business as		<b>E</b> Telephone number 605.995.2251
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	
	305 South State Street		<b>G</b> Gross receipts \$ 187,026,700.
	City or town, state or province, country, and ZIP or foreign postal code Aberdeen, SD 57401		
<b>F</b> Name and address of principal officer: Todd Forkel same as C above		<b>H(a)</b> Is this a group return for subordinates? ..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) <b>H(c)</b> Group exemption number ▶ 0928	

**I** Tax-exempt status:  501(c)(3)  501(c) ( ) ◀ (insert no.)  4947(a)(1) or  527

**J** Website: ▶ [www.averastlukes.org](http://www.averastlukes.org)

**K** Form of organization:  Corporation  Trust  Association  Other ▶ **L** Year of formation: 1901 **M** State of legal domicile: SD

## Part I Summary

Activities & Governance	<b>1</b> Briefly describe the organization's mission or most significant activities: <u>Promotion of Health</u>		
	<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>	17
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b)	<b>4</b>	13
	<b>5</b> Total number of individuals employed in calendar year 2016 (Part V, line 2a)	<b>5</b>	1643
	<b>6</b> Total number of volunteers (estimate if necessary)	<b>6</b>	115
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12	<b>7a</b>	593,140.
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34	<b>7b</b>	-218,001.	
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	<b>9</b> Program service revenue (Part VIII, line 2g)	1,318,990.	1,467,078.
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d)	193,101,274.	183,164,973.
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	586,061.	2,003,354.
	<b>12</b> Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	-412,640.	-352,364.
		194,593,685.	186,283,041.
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3)	168,835.	196,298.
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	115,591,794.	113,796,760.
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ 142,363.		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	81,682,599.	79,662,552.
<b>18</b> Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	197,443,228.	193,655,610.	
<b>19</b> Revenue less expenses. Subtract line 18 from line 12	-2,849,543.	-7,372,569.	
Net Assets or Fund Balances	<b>20</b> Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	<b>21</b> Total liabilities (Part X, line 26)	189,823,411.	178,513,834.
	<b>22</b> Net assets or fund balances. Subtract line 21 from line 20	92,215,286.	89,968,360.
	97,608,125.	88,545,474.	

## 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		
	William E. Flett, Sec/Treas & Finance Officer Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name Kim Hunwardson, CPA	Preparer's signature Kim Hunwardson, CPA	Date 05/11/18	Check if self-employed <input type="checkbox"/>	PTIN P00484560
	Firm's name ▶ Eide Bailly LLP	Firm's EIN ▶ 45-0250958	Phone no. 612-253-6500		
	Firm's address ▶ 800 Nicollet Mall, Ste. 1300 Minneapolis, MN 55402-7033				

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 is a health ministry rooted in the Gospel. Our mission is to make a positive impact in the lives and health of persons and communities by providing quality services guided by Christian values.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [ ] Yes [X] No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [ ] Yes [X] 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 \$ 164,873,708. including grants of \$ 196,298. ) (Revenue \$ 183,248,136. )
Avera St. Luke's mission is to provide acute care and long-term healthcare services including skilled nursing, congregate living and assisted living (Medicaid certified), of which there were 14,376 acute patient days, 1,039 nursery patient days, 47,967 nursing home resident days, 168,612 clinic visits and 131,976 outpatient visits.

Avera St. Luke's provides health care services to patients who meet certain criteria under its Charity Care Policy without charge or at amounts less than established rates. Since the Organization does not pursue collection of these amounts, they are not reported as patient service revenue. The amount of charges foregone for services provided under the Organization's charity care policy was approximately

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 164,873,708.

**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)? <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? <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> .....	X	
<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

Input box for Schedule O response

Main table with columns for question numbers (1a-14b), Yes/No checkboxes, and numerical input fields for various financial and compliance items.

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 [X]

Section A. Governing Body and Management

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

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

Table with 3 columns: Question, Yes, No. Rows include: 10a Did the organization have local chapters, branches, or affiliates?; 10b 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?; 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?; 11b Describe in Schedule O the process, if any, used by the organization to review this Form 990.; 12a Did the organization have a written conflict of interest policy? If "No," go to line 13; 12b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?; 12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done; 13 Did the organization have a written whistleblower policy?; 14 Did the organization have a written document retention and destruction policy?; 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?; 15a The organization's CEO, Executive Director, or top management official; 15b Other officers or key employees of the organization; 16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?; 16b 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 None
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. [X] Own website [ ] Another's website [X] 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: William E. Flett - 605-995-2251 305 South State Street, Aberdeen, SD 57401

**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) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Josh Kraft Chair	1.00 0.00	X		X				0.	0.	0.
(2) Robert Fouberg Vice Chair	1.00 0.00	X		X				0.	0.	0.
(3) Sr. Mary Kay Panowicz Director	1.00 7.00	X						0.	0.	0.
(4) Jean Gerber, MD Director	1.00 0.00	X						0.	0.	0.
(5) Lyle Biegler, MD Director	1.00 0.00	X					352,176.	0.	33,180.	
(6) Bob Olson Director	1.00 0.00	X					0.	0.	0.	0.
(7) Michael Evans Director	1.00 0.00	X					0.	0.	0.	0.
(8) Marshall Lovrien Director	1.00 0.00	X					0.	0.	0.	0.
(9) Carmen Meyer Director	1.00 0.00	X					0.	0.	0.	0.
(10) Diana Reynen Director	1.00 0.00	X					0.	0.	0.	0.
(11) Tom Seyer Director	1.00 0.00	X					0.	0.	0.	0.
(12) Sr. Denette Leifeld, OSB Director	1.00 0.00	X					0.	0.	0.	0.
(13) Stephen Peters, MD Director	1.00 0.00	X					694,995.	0.	28,789.	
(14) Sr. Mary Thomas Director	1.00 0.00	X					0.	0.	0.	0.
(15) Sr. Pam Donelan Director	1.00 0.00	X					0.	0.	0.	0.
(16) Larry Sidaway Physician/Medical Staff Pr	1.00 0.00	X					482,068.	0.	26,864.	
(17) Nadine Gropp Director (thru Sept 2016)	1.00 0.00	X					0.	0.	0.	0.



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

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) Todd Forkel President & CEO	40.00 0.00	X		X			0.	652,545.	41,576.	
(19) Geoffrey Durst Sec/Treas & SrVP Finance	36.00 6.00			X			256,540.	0.	23,682.	
(20) Shahid Chaudhary CMO	40.00 0.00				X		1,140,582.	0.	35,230.	
(21) Christopher Larson General Surgeon	40.00 0.00				X		1,343,770.	0.	28,484.	
(22) James Macdougall Orthopedic Surgeon	40.00 0.00				X		830,403.	0.	13,810.	
(23) Brandon Fites Orthopedic Surgeon	40.00 0.00				X		1,288,596.	0.	30,230.	
(24) Roger Werth General Surgeon	40.00 0.00				X		1,270,593.	0.	28,083.	
(25) Richard Conklin Oncologist	40.00 0.00				X		1,288,973.	0.	30,632.	
<b>1b Sub-total</b>							8,948,696.	652,545.	320,560.	
<b>c Total from continuation sheets to Part VII, Section A</b>							0.	0.	0.	
<b>d Total (add lines 1b and 1c)</b>							8,948,696.	652,545.	320,560.	

**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 132

	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) Name and business address	(B) Description of services	(C) Compensation
Avera Health, 3900 W Avera Dr Ste 301, Sioux Falls, SD 57108-5721	Shared services	18,232,812.
Med-Trans Corporation, 209 State Hwy 121 Bypass, Lewisville, TX 75067	Helicopter Transportation Services	1,276,759.
JDH Construction Inc. 507 N Hyman Dr, Aberdeen, SD 57401	Construction	1,026,748.
Cardiosolution LLC, 4270 Glendale Milford Rd, Cincinnati, OH 45242	Physician Services	500,000.
Daniel S Shih 4301 W William Cannon Dr, Austin, TX 78749	Physician Services	474,181.

**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 32

**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>	830,937.				
	<b>e</b> Government grants (contributions)	<b>1e</b>	5,197.				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	630,944.				
	<b>g</b> Noncash contributions included in lines 1a-1f: \$						
	<b>h Total.</b> Add lines 1a-1f			1,467,078.			
<b>Program Service Revenue</b>	<b>2 a</b> Net patient services	<b>Business Code</b>	621110	178,314,859.	178,314,859.		
	<b>b</b> Pharmacy revenue		900099	2,475,000.	2,475,000.		
	<b>c</b> Supporting revenue		624100	1,476,504.	883,364.	593,140.	
	<b>d</b> Invest in partnership		900099	420,584.	420,584.		
	<b>e</b> Invest AH Foundation		900099	366,616.	366,616.		
	<b>f</b> All other program service revenue		900099	111,410.	111,410.		
	<b>g Total.</b> Add lines 2a-2f			183,164,973.			
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts)			124,922.		124,922.	
	<b>4</b> Income from investment of tax-exempt bond proceeds						
	<b>5</b> Royalties						
	<b>6 a</b> Gross rents	(i) Real		248,997.			
		(ii) Personal					
		<b>b</b> Less: rental expenses		704,161.			
		<b>c</b> Rental income or (loss)		-455,164.			
	<b>d</b> Net rental income or (loss)			-455,164.		-455,164.	
	<b>7 a</b> Gross amount from sales of assets other than inventory	(i) Securities		1,761,814.			
		(ii) Other		116,618.			
		<b>b</b> Less: cost or other basis and sales expenses		0.	0.		
		<b>c</b> Gain or (loss)		1,761,814.	116,618.		
	<b>d</b> Net gain or (loss)			1,878,432.		1,878,432.	
	<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>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>c</b> Net income or (loss) from gaming activities						
<b>10 a</b> Gross sales of inventory, less returns and allowances	<b>a</b>		59,135.				
	<b>b</b> Less: cost of goods sold		39,498.				
	<b>c</b> Net income or (loss) from sales of inventory			19,637.		19,637.	
<b>Miscellaneous Revenue</b>			<b>Business Code</b>				
<b>11 a</b> Interest Income			900099	83,163.	83,163.		
	<b>b</b>						
	<b>c</b>						
	<b>d</b> All other revenue						
	<b>e Total.</b> Add lines 11a-11d			83,163.			
<b>12 Total revenue.</b> See instructions.				186,283,041.	182,654,996.	593,140.	

**Part IX Statement of Functional Expenses**

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

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

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	193,298.	193,298.		
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22	3,000.	3,000.		
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
<b>4</b> Benefits paid to or for members				
<b>5</b> Compensation of current officers, directors, trustees, and key employees	2,935,108.	1,603,753.	1,331,355.	
<b>6</b> Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	24,036.	24,036.		
<b>7</b> Other salaries and wages	88,357,886.	81,115,872.	7,189,167.	52,847.
<b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	5,498,080.	4,993,344.	501,484.	3,252.
<b>9</b> Other employee benefits	11,926,512.	10,822,744.	1,096,719.	7,049.
<b>10</b> Payroll taxes	5,055,138.	4,574,721.	477,437.	2,980.
<b>11</b> Fees for services (non-employees):				
<b>a</b> Management				
<b>b</b> Legal	167,035.		167,035.	
<b>c</b> Accounting	511.		511.	
<b>d</b> Lobbying				
<b>e</b> Professional fundraising services. See Part IV, line 17				
<b>f</b> Investment management fees				
<b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	23,512,997.	8,968,867.	14,544,130.	
<b>12</b> Advertising and promotion	77,359.	51,851.	25,508.	
<b>13</b> Office expenses	11,519,582.	9,535,442.	1,964,556.	19,584.
<b>14</b> Information technology	96,063.	95,811.	252.	
<b>15</b> Royalties				
<b>16</b> Occupancy	2,213,821.	2,152,266.	52,414.	9,141.
<b>17</b> Travel	439,243.	334,726.	104,296.	221.
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials				
<b>19</b> Conferences, conventions, and meetings	243,507.	236,693.	6,814.	
<b>20</b> Interest	2,772,829.	2,772,829.		
<b>21</b> Payments to affiliates				
<b>22</b> Depreciation, depletion, and amortization	7,913,504.	7,296,360.	617,144.	
<b>23</b> Insurance	1,924,798.	1,909,894.	14,904.	
<b>24</b> 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.)				
<b>a</b> Medical supplies	22,765,445.	22,761,050.	4,395.	
<b>b</b> Licenses and permits	3,138,439.	2,782,846.	355,593.	
<b>c</b> Equipment lease/rental	1,081,279.	1,046,683.	34,596.	
<b>d</b> Bad debt	1,074,036.	1,074,036.		
<b>e</b> All other expenses	722,104.	523,586.	151,229.	47,289.
<b>25</b> Total functional expenses. Add lines 1 through 24e	193,655,610.	164,873,708.	28,639,539.	142,363.
<b>26</b> Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

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

**Part X Balance Sheet**

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

		(A) Beginning of year		(B) End of year
<b>Assets</b>	<b>1</b> Cash - non-interest-bearing .....		<b>1</b>	
	<b>2</b> Savings and temporary cash investments .....	6,168,843.	<b>2</b>	4,069,006.
	<b>3</b> Pledges and grants receivable, net .....		<b>3</b>	
	<b>4</b> Accounts receivable, net .....	23,073,419.	<b>4</b>	22,222,000.
	<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 .....	671,899.	<b>5</b>	389,174.
	<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 .....	1,024,173.	<b>7</b>	737,385.
	<b>8</b> Inventories for sale or use .....	3,340,394.	<b>8</b>	3,260,391.
	<b>9</b> Prepaid expenses and deferred charges .....	1,437,934.	<b>9</b>	1,795,377.
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D .....	<b>10a</b> 193,029,262.		
	<b>b</b> Less: accumulated depreciation .....	<b>10b</b> 108,417,439.	86,755,796.	<b>10c</b> 84,611,823.
	<b>11</b> Investments - publicly traded securities .....		<b>11</b>	
	<b>12</b> Investments - other securities. See Part IV, line 11 .....	27,130,037.	<b>12</b>	21,391,133.
	<b>13</b> Investments - program-related. See Part IV, line 11 .....	652,550.	<b>13</b>	729,869.
	<b>14</b> Intangible assets .....	39,568,366.	<b>14</b>	39,307,676.
	<b>15</b> Other assets. See Part IV, line 11 .....		<b>15</b>	
<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) .....	189,823,411.	<b>16</b>	178,513,834.	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses .....	15,130,573.	<b>17</b>	15,335,239.
	<b>18</b> Grants payable .....		<b>18</b>	
	<b>19</b> Deferred revenue .....		<b>19</b>	
	<b>20</b> Tax-exempt bond liabilities .....	74,282,422.	<b>20</b>	72,023,453.
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D .....	68,423.	<b>21</b>	67,349.
	<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 .....		<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties .....		<b>24</b>	
	<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 .....	2,733,868.	<b>25</b>	2,542,319.
	<b>26 Total liabilities.</b> Add lines 17 through 25 .....	92,215,286.	<b>26</b>	89,968,360.
<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 .....	94,692,660.	<b>27</b>	85,717,167.
	<b>28</b> Temporarily restricted net assets .....	2,424,784.	<b>28</b>	2,337,626.
	<b>29</b> Permanently restricted net assets .....	490,681.	<b>29</b>	490,681.
	<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 .....	97,608,125.	<b>33</b>	88,545,474.	
<b>34</b> Total liabilities and net assets/fund balances .....	189,823,411.	<b>34</b>	178,513,834.	

**Part XI Reconciliation of Net Assets**

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

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	186,283,041.
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	193,655,610.
<b>3</b>	Revenue less expenses. Subtract line 2 from line 1	<b>3</b>	-7,372,569.
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	97,608,125.
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	-568,132.
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>9</b>	-1,121,950.
<b>10</b>	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	<b>10</b>	88,545,474.

**Part XII Financial Statements and Reporting**

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

		Yes	No
<b>1</b>	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.		
<b>2a</b>	Were the organization's financial statements compiled or reviewed by an independent accountant? _____ If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
<b>b</b>	Were the organization's financial statements audited by an independent accountant? _____ If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	X	
<b>c</b>	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? _____ If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	X	
<b>3a</b>	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>b</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](http://www.irs.gov/form990).

OMB No. 1545-0047

**2016**

Open to Public Inspection

Name of the organization <p style="text-align:center">Avera St. Luke's</p>	Employer identification number <p style="text-align:center">46-0224598</p>
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**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  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).

(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?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
<b>Total</b>						

**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 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 Part VI.		
<b>11a</b>		
<b>11b</b>		
<b>11c</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 Part VI 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 Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.		
<b>1</b>		
<b>2</b>		

**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 Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).		
<b>1</b>		

**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 Part VI 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 Part VI the role the organization's supported organizations played in this regard.		
<b>1</b>		
<b>2</b>		
<b>3</b>		

**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 line 2 below.			
<b>b</b> <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
<b>c</b> <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
<b>2</b> Activities Test. Answer (a) and (b) below.		Yes	No
<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 Part VI 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 Part VI 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 Part VI.			
<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 Part VI the role played by the organization in this regard.			
<b>2a</b>			
<b>2b</b>			
<b>3a</b>			
<b>3b</b>			

**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) Excess Distributions</b>	<b>(ii) Underdistributions Pre-2016</b>	<b>(iii) Distributable 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			

**Part VI**

**Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a, and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Multiple horizontal lines for supplemental information.

# Schedule B

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury  
Internal Revenue Service

# Schedule of Contributors

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

OMB No. 1545-0047

# 2016

Name of the organization

Avera St. Luke's

Employer identification number

46-0224598

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)( 3 ) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

### General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

### Special Rules

For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ..... ▶ \$ \_\_\_\_\_

**Caution:** An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2016)

Name of organization  Avera St. Luke's	Employer identification number  46-0224598
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**Part I Contributors** (See instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	<hr/> <hr/> <hr/>	\$ 830,937.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	<hr/> <hr/> <hr/>	\$ 200,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization  Avera St. Luke's	Employer identification number  46-0224598
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**Part II Noncash Property** (See instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	
		\$ _____	



Name of organization  Avera St. Luke's	Employer identification number  46-0224598
--	--

**Part III** Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this info. once.) ▶ \$ \_\_\_\_\_  
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
<b>(e) Transfer of gift</b>			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

**SCHEDULE C**  
**(Form 990 or 990-EZ)**

**Political Campaign and Lobbying Activities**

OMB No. 1545-0047

**2016**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

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

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

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

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

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

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

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

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

Name of organization <p style="text-align: center;">Avera St. Luke's</p>	Employer identification number <p style="text-align: center;">46-0224598</p>
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**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.**

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

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

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

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

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

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

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. Schedule C (Form 990 or 990-EZ) 2016

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

- A** Check  if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).
- B** Check  if the filing organization checked box A and "limited control" provisions apply.

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
<b>1a</b>	Total lobbying expenditures to influence public opinion (grass roots lobbying) .....														
<b>b</b>	Total lobbying expenditures to influence a legislative body (direct lobbying) .....														
<b>c</b>	Total lobbying expenditures (add lines 1a and 1b) .....														
<b>d</b>	Other exempt purpose expenditures .....														
<b>e</b>	Total exempt purpose expenditures (add lines 1c and 1d) .....														
<b>f</b>	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
<b>g</b>	Grassroots nontaxable amount (enter 25% of line 1f) .....														
<b>h</b>	Subtract line 1g from line 1a. If zero or less, enter -0- .....														
<b>i</b>	Subtract line 1f from line 1c. If zero or less, enter -0- .....														
<b>j</b>	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? .....														

Yes  No

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

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
Calendar year (or fiscal year beginning in)	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) Total
<b>2a</b>	Lobbying nontaxable amount				
<b>b</b>	Lobbying ceiling amount (150% of line 2a, column(e))				
<b>c</b>	Total lobbying expenditures				
<b>d</b>	Grassroots nontaxable amount				
<b>e</b>	Grassroots ceiling amount (150% of line 2d, column (e))				
<b>f</b>	Grassroots lobbying expenditures				

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

	(a)		(b)
	Yes	No	Amount
<i>For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.</i>			
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
<b>a</b> Volunteers?		X	
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
<b>c</b> Media advertisements?		X	
<b>d</b> Mailings to members, legislators, or the public?		X	
<b>e</b> Publications, or published or broadcast statements?		X	
<b>f</b> Grants to other organizations for lobbying purposes?		X	
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
<b>i</b> Other activities?	X		13,508.
<b>j</b> Total. Add lines 1c through 1i			13,508.
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912			
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

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

**Part IV Supplemental Information**

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

Part II-B, Line 1, Lobbying Activities:

Avera St. Luke's paid dues to organizations which have a portion of the

dues attributed to lobbying activities.

**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**

<b>Name of the organization</b> Avera St. Luke's	<b>Employer identification number</b> 46-0224598
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**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).

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of a historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

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

	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? .....

Yes     No

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)? .....

Yes     No

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

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.** Complete if the organization answered "Yes" 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
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21, 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
1a Beginning of year balance	3,036,970.	4,364,943.	3,963,040.	756,018.	1,159,121.
b Contributions	469,170.	462,040.	676,958.	3,133,989.	
c Net investment earnings, gains, and losses	351,817.	65,820.	153,521.	168,152.	4,051.
d Grants or scholarships					
e Other expenditures for facilities and programs	857,309.	1,837,645.	414,764.	73,620.	407,154.
f Administrative expenses	16,922.	18,188.	13,812.	21,499.	
g End of year balance	2,983,726.	3,036,970.	4,364,943.	3,963,040.	756,018.

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

- a Board designated or quasi-endowment  23.07 %
- b Permanent endowment  23.70 %
- c Temporarily restricted endowment  53.23 %

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
3a(i)		X
3a(ii)	X	
3b	X	

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
1a Land	1,415,216.	4,775,784.		6,191,000.
b Buildings		131,514,310.	67,105,211.	64,409,099.
c Leasehold improvements				
d Equipment		52,740,197.	39,985,244.	12,754,953.
e Other		2,583,755.	1,326,984.	1,256,771.
<b>Total.</b> Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				84,611,823.

**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) Investment in Surgical Associates		
(B) Endoscopy Center LLC	71,812.	End-of-Year Market Value
(C) Assets limited to use - Avera pooled		
(D) investments	18,115,477.	End-of-Year Market Value
(E) Investment in Avera Health Foundation	3,203,844.	End-of-Year Market Value
(F)		
(G)		
(H)		
<b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶	21,391,133.	

**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) Estimated third-party payor settlements	1,127,500.
(3) Interest rate swap agreement	1,414,819.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	2,542,319.

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 IV, line 2b:

The organization holds funds in trust on behalf of its residents.

Part V, line 4:

The Organization's endowments consist of a portion of their interest in the net assets of the Avera Health Foundation. The Avera Health Foundation includes endowment funds which have been established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments (if any), are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's permanently restricted endowment funds are donor



**Part XIII** Supplemental Information (continued)

restricted.

Part X, Line 2:

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

Avera Health and its sponsored organizations believe that they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The federal Form 990T filings 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



**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 St. Luke's** Employer identification number **46-0224598**

**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 .....	X	
<b>b</b> If "Yes," was it a written policy? .....	X	
<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. <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
<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? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: .....	X	
<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: .....	X	
<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"?	X	
<b>5a</b> Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? .....	X	
<b>b</b> If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? .....	X	
<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? .....		X
<b>6a</b> Did the organization prepare a community benefit report during the tax year? .....	X	
<b>b</b> If "Yes," did the organization make it available to the public? .....	X	

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) .....		5,942	2,429,013.		2,429,013.	1.26%
<b>b</b> Medicaid (from Worksheet 3, column a) .....		14,258	7,981,316.	3,663,589.	4,317,727.	2.24%
<b>c</b> Costs of other means-tested government programs (from Worksheet 3, column b) .....			748,709.		748,709.	.39%
<b>d Total</b> Financial Assistance and Means-Tested Government Programs .....		20,200	11,159,038.	3,663,589.	7,495,449.	3.89%
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) .....	6	593	181,592.		181,592.	.09%
<b>f</b> Health professions education (from Worksheet 5) .....	3	71	207,272.	1,750.	205,522.	.11%
<b>g</b> Subsidized health services (from Worksheet 6) .....	6	1,559	7,184,651.	3,998,001.	3,186,650.	1.65%
<b>h</b> Research (from Worksheet 7) .....						
<b>i</b> Cash and in-kind contributions for community benefit (from Worksheet 8) .....	5	16,034	543,508.		543,508.	.28%
<b>j Total.</b> Other Benefits .....	20	18,257	8,117,023.	3,999,751.	4,117,272.	2.13%
<b>k Total.</b> Add lines 7d and 7j .....	20	38,457	19,276,061.	7,663,340.	11,612,721.	6.02%

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

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support	1	2,000	2,694.		2,694.	.00%
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development	2	6	15,741.		15,741.	.01%
9 Other						
10 Total	3	2,006	18,435.		18,435.	.01%

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

**Section A. Bad Debt Expense**

	Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? .....	1	X
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount .....	2	1,074,036.
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit .....	3	0.
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.		

**Section B. Medicare**

5 Enter total revenue received from Medicare (including DSH and IME) .....	5	49,900,345.
6 Enter Medicare allowable costs of care relating to payments on line 5 .....	6	52,609,256.
7 Subtract line 6 from line 5. This is the surplus (or shortfall) .....	7	-2,708,911.
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input checked="" type="checkbox"/> Other		

**Section C. Collection Practices**

9a Did the organization have a written debt collection policy during the tax year? .....	9a	X
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI .....	9b	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 %
1 Surgical Associates Endoscopy Clinic, LLC	Endoscopy Procedures	51.00%		49.00%



**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 St. Luke's

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: <u>20 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 Line 10a</u>		
b <input checked="" type="checkbox"/> Other website (list url): <u>www.avera.org/about/community-health-needs-assessments/</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: <u>20 15</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website? .....	X	
a If "Yes," (list url): <u>www.avera.org/locations/st-lukes/</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 St. Luke's

		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? .....	X	
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> % 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? .....	X	
<b>15</b>	Explained the method for applying for financial assistance? .....	X	
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? .....	X	
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 St. Luke's

	Yes	No
<p><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? .....</p>	x	
<p><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:</p> <p><b>a</b> <input type="checkbox"/> Reporting to credit agency(ies)</p> <p><b>b</b> <input type="checkbox"/> Selling an individual's debt to another party</p> <p><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</p> <p><b>d</b> <input type="checkbox"/> Actions that require a legal or judicial process</p> <p><b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)</p> <p><b>f</b> <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted</p>		
<p><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? .....</p> <p>If "Yes," check all actions in which the hospital facility or a third party engaged:</p> <p><b>a</b> <input type="checkbox"/> Reporting to credit agency(ies)</p> <p><b>b</b> <input type="checkbox"/> Selling an individual's debt to another party</p> <p><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</p> <p><b>d</b> <input type="checkbox"/> Actions that require a legal or judicial process</p> <p><b>e</b> <input type="checkbox"/> Other similar actions (describe in Section C)</p>		x
<p><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):</p> <p><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</p> <p><b>b</b> <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process</p> <p><b>c</b> <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications</p> <p><b>d</b> <input checked="" type="checkbox"/> Made presumptive eligibility determinations</p> <p><b>e</b> <input checked="" type="checkbox"/> Other (describe in Section C)</p> <p><b>f</b> <input type="checkbox"/> None of these efforts were made</p>		

**Policy Relating to Emergency Medical Care**

<p><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? .....</p> <p>If "No," indicate why:</p> <p><b>a</b> <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions</p> <p><b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing</p> <p><b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)</p> <p><b>d</b> <input type="checkbox"/> Other (describe in Section C)</p>	x	
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**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 St. Luke's

		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? ..... If "Yes," explain in Section C.		X
<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? ..... If "Yes," explain in Section C.	X	

**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 St. Luke's:

Part V, Section B, Line 5: In late December 2015, Avera St. Luke's

conducted three focus groups representing community leaders and members,

health care providers, uninsured/underinsured persons and policy makers in

order to discuss health care needs and concerns in Brown County. The

hospital invited a vast array of individuals from all facets of the

community to participate in an on-line survey and also held focus groups.

Additionally, Avera St. Luke's held a focus group for approximately 20

individuals representing the uninsured and underinsured of our community.

Those individuals came to us through invitations from various community

programs. The hospital also held one of the focus group at the Salvation

Army following their noon meal.

Avera St. Luke's:

Part V, Section B, Line 11: The three major areas to focus on from the

completed 2015 CHNA were dental care, health care affordability and travel

and accessibility to health care. This decision was based on the severity

of the issue, our current involvement in these areas and our professional

outlook.

Three priorities have been identified through both primary and secondary

sources. Our first implementation strategy will focus on primarily on

education, good dental health, accessibility (transportation), and

affordability. After numerous meetings and research, we have come up with

**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.

a number of steps to begin moving forward on our plan to improve education

of and access to adult dental health. The subsequent points are details of

Avera St. Luke's plan:

1. Investigate a partnership with dentists in Brown County to determine

how we can work together to improve dental care.

FY2017 update: In collaboration with Avera St. Luke's, a partnership of

dentists with Delta Dental created a development of a triage processes

from Emergency Room to their dental practices for care. In the fiscal

year 2017, twenty-one patients received dental care who had no insurance

or funding.

2. Explore whether other local service and educational organizations have

interest in partnering to improve dental care.

FY2017 update: Service clubs and educational organizations are open to

Delta Dental providing education. Many believe it is the responsibility

of local dentists to lead this initiative as they are seen as the experts.

Avera has educated their leaders and Board of Directors as to the need

echoed by citizens in our community.

3. Develop an educational program to present at health fairs, local

service clubs, etc.

FY2017 update: In partnership with Delta Dental their educator provided

education at the Brown County Fair for two years consecutively on Senior

**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.

Citizens Day.

4. Investigate initiating a dental health campaign for the area through

Dedicated Resource Investment

FY2017 update: We are in process of seeking a grant through Delta Dental.

Grant writers and Avera Foundation looking to Delta Dental for a \$25,000

to provide dollars to educate adults specifically on the care of their

oral hygiene. Receipt of Grant expected early summer of 2018.

Accessibility to Care

Our second implementation strategy, specifically as it relates to

transportation is noted and will address this need in collaboration with

Brown County and the City of Aberdeen in development of educational

materials on what is currently available for transportation and how to

access at minimal cost. Avera has formalized a Community Health Needs

committee to shepherd and facilitate community collaborations with city

and county officials. Avera St. Luke's commits on a yearly average \$3,500

in assistance to those in need, through the provision of gas cards, tokens

for community buses, taxis and in some cases bus fare to return them to

their home of origin. Our long term care facility provides a shuttle to

all residents for appointments and day programs, and commits \$50,000

annually to this service. The Avera Foundation has granted \$12,960

annually toward transportation as well.

FY2017 update: Avera Foundation committed upwards of \$10,500 through

provision of gas cards, community bus tokens, taxis to return them to

**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.

their home of origin over the past three years. Avera Foundation granted

upwards of \$38,880 toward city Ride Line over the past three years. Avera

Long Term Care provides shuttle service for residents to appointments and

day programs and contributed \$150,000 over the past three years.

**Affordable Care**

Our third implementation strategy concerning affordable care programs is

in place and will be addressed through the programs listed. With the

implementation of the Affordable Health Care Act and the opening of the

health insurance exchanges, along with bundled payment programs and rural

Accountable Care Organization designation and through Avera MAAP (Medical

Application Assistance program) a full time social worker assists patients

on navigation through Medicare, Medicaid, Disability and insurance

exchange programs. Access and navigation assistance to medication

programs, medical equipment needs are also available.

FY2017 update: Avera St. Luke's is now part of three ACO's with 8,500

covered lives and continues to grow allowing us to manage care and cost.

The ACO's are reducing in-patient hospital stays and preventing a lower

incident of further developing chronic disease. Avera St. Luke's also

participated in the Orthopedic Bundle payment program based on quality

metrics lowering costs to the patient bringing greater value and

satisfaction. Through end of the year 2017 number of patients through the

bundle project is 596. Average length of stay for these 596 patients is

3.19 days reducing cost to patient.

Our Avera MAAP (Medical Application Assistance) program has assisted

patients through insurance exchange programs helping them to cover

**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.

\$1,068,000 dollars year to date over the past three years. This program

keeps patients from filing chapter 11 bankruptcy and our social work

services department assists individuals with paperwork for Social Security

Disability to prevent further financial distress.

Avera St. Luke's:

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 St. Luke's

Part V, line 16a, FAP website:

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

Avera St. Luke's

Part V, line 16b, FAP Application website:

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

Avera St. Luke's

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 St. Luke's:

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 is included in the billing statement. In addition,

the financial assistance policy is discussed with the patient upon

admission to the facility.

Avera St. Luke's:

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 St. Luke's:

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.

**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 Mother Joseph Manor 1002 N Jay Street Aberdeen, SD 57401	Nursing Home, Assisted and Congregate Living
2 Avera Eureka Health Care Center E Hwy 10 Eureka, SD 57437	Skilled Nursing Facility
3 Avera Clinic of Ellendale 240 Main St. Ellendale, ND 58436	Clinic
4 Avera Medical Group AveraQuick Kessler 615 6th Ave SE Aberdeen, SD 57401	Clinic
5 Avera Medical Group Selby 4401 Main St. Selby, SD 57472	Clinic



**Part VI Supplemental Information**

Provide the following information.

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- 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.

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.

Part I, Line 6a:

Our community benefit report is contained in a report prepared by Avera Health, a related organization. It is available through the website and requested mailing, and is filed with the Catholic Health Association.

Part I, Line 7:

A combination of costing methodologies were used to calculate the amounts reported in the table. A cost-to-charge ratio derived from Worksheet 2, ratio of patient care cost-to-charges was used to calculate charity care at cost, unreimbursed Medicaid and Means-Tested Government Program expenses. Subsidized health was calculated based on actual cost/loss. For all other amounts, costs and revenues as reflected by the general ledger

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system were used.

Part I, Ln 7 Col(f):

Bad debt expense of \$1,074,036 is included on Form 990, Part IX, line 25, column (A) but excluded for purposes of calculating this percentage.

Part II, Community Building Activities:

NATIONAL NIGHT OUT - National Night Out is an annual community-building

campaign that promotes police-community partnerships and neighborhood

camaraderie to make our neighborhoods safer, more caring places to live.

National Night Out enhances the relationship between neighbors and law

enforcement. Our local sponsors, the Aberdeen Police Department, invite

local organizations to participate each year in this event held on the

first Tuesday of August at Melgaard Park. A free meal is served by

volunteers from many organizations and entertainment is offered all free

of charge. Avera St. Luke's has participated by offering a booth with

games and prizes with our focus on child safety - recent focuses have been

on back to school safety with walking, bike riding and outdoor play. The

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event brings out around 1,500 to 2,000 children and families for a fun evening.

ASPIRE/SD DEPT OF VOC REHAB - Project SEARCH providers internships for high school students in their last year of eligibility and assists in helping students attain work skills and prepare them for a job. Students are chosen for the program who are ready to join the workforce and do not have plans to go to college but have skills that would enable them to be gainfully employed. We want to assist in meeting the community workforce needs as well as help these students obtain employment vs. being on federal assistance.

Part III, Line 2:

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

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

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Part III, Line 3:

Avera St. Luke's does not believe that any portion of bad debt expense could reasonably be attributed to patients who may qualify for financial assistance since evaluations are completed to determine those amounts due and will be reclassified from bad debt expense to charity care within 30 days following the evaluation of the amount.

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:

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.

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Avera St. Luke's follows the CHA guidelines in reporting community benefits and therefore any Medicare shortfall (as calculated including our non-cost report entities) is excluded from our community benefit report. However, Medicare is the organization's largest payer and patients with Medicare coverage are accepted regardless of whether or not a surplus or deficit is realized from providing the services. This basis therefore means providing Medicare services promotes access to healthcare services which is a key advantage for our community.

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

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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.

Part VI, Line 2:

Health care needs are assessed through various methods. Given Aberdeen is a regional center/hub and the third largest city in South Dakota, Avera St. Luke's is integrally involved with community organizations, universities/colleges, schools, state programs and local governments.

Although another smaller hospital opened in Aberdeen during FY 2013, the next largest hospital is 100 miles from Aberdeen and most of the towns within our region have a population of less than 2,000. By working with all in our region, we are able to determine health needs and provide programs and solutions where possible. Our second community health needs

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assessment (CHNA) was completed and posted to our website by June 30, 2016. The three major areas initially highlighted for further research and comparison were dental care, health care affordability and travel and accessibility to health care.

Part VI, Line 3:

The Organization utilizes various methods to inform patients about our financial assistance policy. Admitting areas have signs/posters noting charity care and financial assistance. Avera St. Luke's and Avera Health utilize the internet to address financial assistance. Social workers are in direct contact with patients and make referrals to the Business Office for financial assistance and in many cases, work directly with the patient on various government programs which may be available and help with applications. For those who receive bills for services and have concerns about their ability to pay, financial counselors work directly with them on financial assistance. We have brochures available to all and treat all without regard to their ability to pay.

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Part VI, Line 4:

Aberdeen is the third largest city in South Dakota. Using South Dakota estimated data for July 2015, census reflected a population of approximately 28,102. Our primary service area consists of the following counties: Brown, Marshall, Day, Faulk, Edmunds, McPherson, and Spink in South Dakota and Dickey County in North Dakota. The population of this area is approximately 64,000. Our secondary service area includes other nearby counties. This large service area is due to outreach and the scope of specialty services offered by Avera St. Luke's for which if not offered, a patient would travel up to 200 miles for the same service. Given we are a rural community in the truest sense; we have a very aged population. Many of the patients within this region are Medicare age. Other than the hospital that opened in Aberdeen during FY 2013, the next closest hospitals are 40 to 100 miles away and have limited services and are Critical Access Hospitals served by limited physicians. Patient demographics within the region would indicate that after you consider those patients admitted to the smaller hospitals, the majority of the rest seek services at Avera St. Luke's and the other hospital in Aberdeen. The



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population in the primary service counties range from 2,337 to 38,785.

South Dakota Census data estimates for 2015-2016 contains many data

elements, therefore, will comment on Brown County (location of Avera St.

Luke's), Spink County (second largest in primary service area with growth)

and McPherson County (due to aged population).

	% change in Pop.	% over 65	Non-White Pop. %
State of SD	6.3%	16.0%	14.80%
Brown County	7.1%	16.2%	10.10%
Spink County	0.1%	20.4%	3.60%
McPherson County	-0.9%	27.9%	1.6%

**Median Household Income**

State of SD	50,957
Brown County	53,100
Spink County	48,217

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McPherson County 36,375

As the above indicate, our region has experienced essentially little growth with the exception of Brown County and the percent over 65 years old is high compared to the State average. The high average age correlates with Medicare admissions being 47.14% of total admissions. Medicaid admissions totaled 8.48%, and newborn admissions totaled 10.65% of all admissions. In addition to Medicare and Medicaid, there is a County Indigent Program which resulted in approximately \$5,752,715 of assistance at charge and was for 331 Inpatient patients and 595 Out patients.

From an unemployment standpoint, South Dakota (3.0%) and our region has fared much better than the US. Within the primary service area, current unemployment rates range from a low of 2.6% in Brown County to a high of 3.7% in Day County.

Part VI, Line 5:

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Avera St. Luke's is a regional facility within Avera Health System. We are a health ministry cosponsored by the Benedictine Sisters of Yankton, South Dakota and the Presentation Sisters of Aberdeen, South Dakota. Our health ministry is rooted in the Gospel and requires us to make a positive impact in the lives and health of persons and communities by providing quality services guided by Christian values. Avera St. Luke's vision is to be an exceptional health care organization for patients to receive care, physicians to practice and employees to work. The Organization's values are Compassion, Hospitality and Stewardship.

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Our governing body consists of 17 members who are physicians, community and regional residents and Sister representatives from the Presentation and Benedictine Orders. In addition, four employees (three physicians and the CEO) serve on the board. The governing body included one Sister who represents both orders and is a System Representative. In addition to the governing body, we have one advisory board. This includes Northern State University Business School.

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Medical Staff privileges can be extended to qualified physicians based on receiving approval of their application and credentials by the Medical Staff and the Hospital governing body. The Hospital's governing body takes into account other factors related to overall community need and how a physician would impact the Hospital's overall ability to fulfill the mission.

Avera St. Luke's mission and values ensure our focus is on the patient, family, employees, physician, those in need, visitors and our region as a whole. The value of Stewardship requires the organization to use all resources in a way that fulfills the mission and values. Each year, our operating and capital budgets are based on various assumptions that in the end provide the needed resources and take into account Charity Care, patient care, technology, education, community services, employee benefit and compensation plans and programs for meeting the region's needs. All surplus funds are used and maintained to provide for both current and future needs.

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Specific examples of how we further our exempt purpose include but are not limited to the following:

- a. The only inpatient psychiatric unit within 200 miles
- b. Interventional Cardiology and Radiology services. These services allow us to meet patient needs when care is critical to their survival and must be delivered on a very timely basis.
- c. Air Ambulance to transport patients to our facility or 200 miles to tertiary facilities.
- d. End Stage Renal Disease program which serves our broad region with the next closest facility being 100 miles away. Additionally, we employ a full-time Nephrologist to care for the patients along with others who require intensive physician care.
- e. A 24 hour Emergency Room which treats all patients without regard to the ability to pay. The ER is staffed by physicians 24 hours per day.
- f. Provision of a multitude of educational and training programs for healthcare professionals and regional residents. The region was awarded

an Area Health Education Center by the South Dakota School of Medicine and

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- 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.

will be located in Aberdeen. The award was based on applications and

interviews within the State and was a collaborative effort of many

healthcare and non-healthcare organizations within the region with two

being 100 miles from Aberdeen.

g. Avera St. Luke's is currently a Rural Referral Center. The nearest

hospitals are tertiary facilities 200 miles away by ground and

approximately 140 miles by air.

h. Avera St. Luke's participates in many community organizations and

efforts to better the region. Leadership of the organization is on boards

of many exempt organizations (Chamber of Commerce, United Way, Aberdeen

Development Corporation, College/University Advisory Boards, Kiwanis Club

Board, Lake Area Technical Institute Alumni Board).

i. Our Auxiliary and Volunteers provide opportunities for over 115

individuals. The Auxiliary provides annual scholarships of \$500 for

students entering higher education in health related fields. In fiscal

year 2017, 1,450 hours of service were provided to Avera St. Luke's by

volunteers which reduces costs.

j. Provide assistance to small rural hospitals (Critical Access Hospitals)

**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.

within the region through various programs, management agreements,  
 computer systems, education and other services to assist in keeping their  
 area's patients in the local community when possible.

k. Recruitment of specialists in nephrology, neurosurgery, neurology,  
 cardiology and psychiatry to meet the region's need in order to eliminate  
 travel of 200 miles to obtain these services.

l. Development and subsidy of various rural clinics to meet needs in those  
 communities.

n. Chemical Addiction services on an outpatient basis are provided to the  
 region and State. Our Worthmore program is well known and respected  
 within the region and state and is the closest program within 150-200  
 miles. We contract with the State for patients who meet their  
 qualification guidelines and work with governmental agencies within the  
 region and State.

o. Provide drug and alcohol prevention programs to the local schools  
 through various contracts. Our involvement started when the previous  
 provider discontinued their contract.

**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.

Part VI, Line 6:

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



**SCHEDULE I  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

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

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

▶ Attach to Form 990.

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

OMB No. 1545-0047

**2016**

**Open to Public  
Inspection**

Name of the organization Avera St. Luke's Employer identification number 46-0224598

**Part I General Information on Grants and Assistance**

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

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

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
Presentation College 1500 N Main Aberdeen, SD 57401	52-2424588	501(c)(3)	163,800.	0.			Nursing Education Scholarship
Aberdeen Development Corp 416 Production St Aberdeen, SD 57401	46-6011831	501(c)(3)	7,500.	0.			Workforce Development
Eureka Community Health Services PO Box 517 Eureka, SD 57437	46-0246437	501(c)(3)	10,000.	0.			Capital Campaign

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

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

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

Schedule I (Form 990) (2016)

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

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

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

Part I, Line 2:

Avera St. Luke's policy is to provide grants/contributions to not-for-profit entities and governmental divisions that benefit the community and region through programs and activities.

The organization also provides scholarships to medical students and other students in the community. Scholarships are given to schools to help monitor the use of the funds. In some years total scholarships are under the reporting threshold for Schedule I.

**SCHEDULE J  
(Form 990)**

**Compensation Information**

OMB No. 1545-0047

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

**2016**

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

▶ Attach to Form 990.

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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

Name of the organization

Avera St. Luke's

Employer identification number

46-0224598

**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) Lyle Biegler, MD Director	(i)	351,259.	0.	917.	5,300.	28,686.	386,162.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) Stephen Peters, MD Director	(i)	689,862.	0.	5,133.	5,300.	24,294.	724,589.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(3) Larry Sidaway Physician/Medical Staff Pr	(i)	467,821.	0.	14,247.	5,300.	22,370.	509,738.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(4) Todd Forkel President & CEO	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	645,256.	0.	7,289.	19,196.	23,186.	694,927.	0.
(5) Geoffrey Durst Sec/Treas & SrVP Finance	(i)	253,125.	0.	3,415.	0.	24,832.	281,372.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) Shahid Chaudhary CMO	(i)	1,138,455.	0.	2,127.	5,300.	30,736.	1,176,618.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) Christopher Larson General Surgeon	(i)	1,341,634.	0.	2,136.	5,300.	23,990.	1,373,060.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) James Macdougall Orthopedic Surgeon	(i)	822,921.	0.	7,482.	5,300.	8,837.	844,540.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(9) Brandon Fites Orthopedic Surgeon	(i)	1,286,460.	0.	2,136.	5,300.	25,736.	1,319,632.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(10) Roger Werth General Surgeon	(i)	1,259,385.	0.	11,208.	5,300.	23,589.	1,299,482.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(11) Richard Conklin Oncologist	(i)	1,281,491.	0.	7,482.	5,300.	26,138.	1,320,411.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(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's compensation is paid by a related organization,

Avera Health. Avera St. Luke's relied on the related organization for

determining the compensation for the President/CEO using the methods

described in Part I, Line 3.

**SCHEDULE L**  
**(Form 990 or 990-EZ)**

**Transactions With Interested Persons**

OMB No. 1545-0047

**2016**

Department of the Treasury  
Internal Revenue Service

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

**Open To Public Inspection**

Name of the organization **Avera St. Luke's** Employer identification number **46-0224598**

**Part I Excess Benefit Transactions** (section 501(c)(3), section 501(c)(4), and 501(c)(29) organizations only).

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

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

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

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

**Part II Loans to and/or From Interested Persons.**

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

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
Richard Conklin	Employee	Client B		X	140,231.	103,021.		X	X		X	
Richard Conklin	Employee	Communit		X	100,000.	10,000.		X	X		X	
Christopher Lar	Employee	Communit		X	250,000.	105,769.		X	X		X	
Roger Werth	Employee	Communit		X	250,000.	105,769.		X	X		X	
Brandon Fites	Employee	Communit		X	200,000.	64,615.		X	X		X	
<b>Total</b> .....						▶ \$	389,174.					

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

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

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

See Part V for Continuations

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

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

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
Megan Biegler	Wife of board membe	24,036.	Compensatio		X

**Part V Supplemental Information**

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

Schedule L, Part II, Loans To and From Interested Persons:

(a) Name of Person: Richard Conklin

(c) Purpose of Loan: Client Billing

(a) Name of Person: Richard Conklin

(c) Purpose of Loan: Community Needs Loan

(a) Name of Person: Christopher Larson

(c) Purpose of Loan: Community Needs Loan

(a) Name of Person: Roger Werth

(c) Purpose of Loan: Community Needs Loan

(a) Name of Person: Brandon Fites

(c) Purpose of Loan: Community Needs Loan

Sch L, Part IV, Business Transactions Involving Interested Persons:

(a) Name of Person: Megan Biegler

(b) Relationship Between Interested Person and Organization:

Wife of board member Lyle Biegler

**Part V Supplemental Information**

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

(c) Amount of Transaction \$ 24,036.

(d) Description of Transaction: Compensation and benefits as an employee

(e) Sharing of Organization Revenues? = No



**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 St. Luke's

Employer identification number

46-0224598

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

\$7,201,984 for the year ended June 30, 2017. The estimated cost of providing these services was \$2,429,013 for the year ended June 30, 2017, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

Avera St. Luke's also provides community benefit health activities at less than or at no cost to support those in the area served. These activities include: donations/grants/educational scholarships, community education programs; special programs for the elderly, handicapped, and medically underserved; support for rural clinics; nursing staff for health centers serving minority populations; and a variety of broad community support activities. During the year ended June 30, 2017, specific activities included meals delivered to residential homes; senior resource programs for billing assistance; meeting facilities and programs for patients and families; assistance to health educators; emergency healthcare providers; wellness programs; and housing families of hospitalized patients.

As a member of the Avera Health System, Avera St. Luke's upholds the vision of the Presentation and Benedictine Sisters to work through collaboration to provide a quality, effective health ministry and to improve the health care of individuals and our communities through a regionally integrated network of persons and institutions. Avera St.

Luke's engages in activities (including a Community Health Needs

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

Schedule O (Form 990 or 990-EZ) (2016)

Name of the organization Avera St. Luke's	Employer identification number 46-0224598
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Assessment) designed to improve the health of individuals and communities in response to a calling to heal the sick, the elderly, and the oppressed.

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

The sole member of the organization is Avera Health, a nonprofit corporation organized and existing under the laws of the state of South Dakota and exempt under 501(c)(3) of the Internal Revenue Code of 1986, as amended.

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

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

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

Avera Health, as the sole member, has the following rights as the Member.

1) To approve the adoption, amendment or repeal of the statements of philosophy, mission and values of Corporation; 2) To initiate the adoption, amendment or repeal of any provision of the Articles of Incorporation or Bylaws of Corporation, and to give final approval of any such action with respect thereto; 3) To approve and act upon the alienation of real property and precious artifacts under the canonical stewardship of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota ("Presentation Sisters") or the Benedictine Sisters of Sacred Heart Monastery ("Benedictine Sisters"), pursuant to the policies established by the Member; 4) To approve any plan of merger, consolidation or dissolution of the Corporation, or the divestiture of a sponsored work or ministry associated with the Corporation; 5) To approve the creation of new

Name of the organization Avera St. Luke's	Employer identification number 46-0224598
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sponsored works or ministries to be conducted by or under the authority of the Corporation; 6) To appoint and remove, with or without cause, the Board of Directors of the Corporation. 7) To appoint and/or remove, with or without cause, the President and Chief Executive Officer of the Corporation. 8) To approve operating/capital budgets and strategic plans of the Corporation. 9) To approve expenditures outside of operating and capital budgets exceeding defined thresholds according to policy which may be adopted from time to time by the Member. 10) To approve acquisitions, sales and leases, according to policy which may be adopted from time to time by the Member. 11) To establish and maintain employee benefit programs. 12) To establish and maintain insurance programs. 13) To approve major community fund drives. 14) To approve the appointment of auditors. 15) To adopt policies designed to effectuate the reserved powers of the Member.

Form 990, Part VI, Section A, line 8b:

There are no committees with the authority to act on behalf of the governing body.

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

The Form 990 is reviewed by the CEO and CFO. After initial reviews, a draft is provided to the finance committee for final review. The return is provided to the board prior to filing.

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

Name of the organization Avera St. Luke's	Employer identification number 46-0224598
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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 15b:

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

The organization has a Physician Relations/Executive Compensation Committee to review physician related transactions and compensation related to physicians, other officers and key employees of the Organization. The Committee meets as needed with respect to physician compensation. With respect to leadership positions we contract with an outside consultant to gather wage and market data. Information is provided to the consultant for leadership positions that reflects the leader's area of responsibilities including the position title and education requirements, reporting structure, number of FTE's, total revenue and expenses and years of

Name of the organization Avera St. Luke's	Employer identification number 46-0224598
--	--

experience.

Form 990, Part VI, Section C, Line 19:

The organization's governing documents and conflict of interest policy are not available to the general public. The organization's financial statements are attached to the Form 990 per IRS instructions and therefore are available to the general public.

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

Repairs and maintenance:

Program service expenses	2,751,695.
Management and general expenses	49,806.
Fundraising expenses	0.
Total expenses	2,801,501.

Other fees:

Program service expenses	6,217,172.
Management and general expenses	1,457,560.
Fundraising expenses	0.
Total expenses	7,674,732.

ACS fees:

Program service expenses	0.
Management and general expenses	13,036,764.
Fundraising expenses	0.
Total expenses	13,036,764.

Total Other Fees on Form 990, Part IX, line 11g, Col A	23,512,997.
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Name of the organization Avera St. Luke's	Employer identification number 46-0224598
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Form 990, Part XI, line 9, Changes in Net Assets:

Capital Transfer	-1,710,822.
Change in fair value of interest rate swap	588,872.
Total to Form 990, Part XI, Line 9	-1,121,950.

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 St. Luke's.

Form 990, Part X, Line 20:

The issue price includes the filing organization's share of the entire bond issue, which was issued to Avera Health on behalf of the Avera Obligated Group. The Avera Obligated Group consists of Avera Health, Avera McKennan, Avera St. Luke's, Avera Queen of Peace, Avera St. Mary's, Avera Sacred Heart, and Avera Marshall. In accordance with IRS instructions, information related to the tax exempt bond reporting is being reported on Avera Health's tax return.

**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 St. Luke's** Employer identification number **46-0224598**

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
Avera Health - 46-0422673 3900 West Avera Drive, Suite 300 Sioux Falls, SD 57108	Promotion of health	South Dakota	501(c)(3)	Line 10	N/A		X
Avera Gettysburg - 46-0234354 606 East Garfield Gettysburg, SD 57442	Healthcare services	South Dakota	501(c)(3)	Line 3	Avera St. Mary's		X
Avera St. Anthony's Hospital - 47-0463911 300 N 2nd Street O'Neill, NE 68763	Healthcare services	Nebraska	501(c)(3)	Line 3	Avera Health		X
Avera Holy Family - 42-0680370 826 North 8th Street Estherville, IA 51334	Healthcare services	Iowa	501(c)(3)	Line 3	Avera Health		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) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Avera Holy Family Foundation - 42-1317452 826 North 8th Street Estherville, IA 51334	Fundraising	Iowa	501(c)(3)	Line 10	Avera Holy Family		X
Avera Marshall - 41-0919153 300 S Bruce Street Marshall, MN 56258	Healthcare services	Minnesota	501(c)(3)	Line 3	Avera Health		X
St. Benedict Health Center - 46-0226738 401 West Glynn Drive Parkston, SD 57366	Healthcare services	South Dakota	501(c)(3)	Line 3	Avera Health		X
St. Benedict Health Center Foundation - 46-0458725, West Glynn Drive PO Box B, Parkston, SD 57366	Support health related services	South Dakota	501(c)(3)	Line 12a, I	St. Benedict Health Center		X
Avera McKennan - 46-0224743 1325 S Cliff Ave PO Box 5045 Sioux Falls, SD 57117	Healthcare services	South Dakota	501(c)(3)	Line 3	Avera Health		X
Avera Queen of Peace Hospital - 46-0224604 525 North Foster Mitchell, SD 57301	Healthcare services	South Dakota	501(c)(3)	Line 3	Avera Health		X
Sacred Heart Health Services - 46-0225483 501 Summit Street Yankton, SD 57078	Healthcare services	South Dakota	501(c)(3)	Line 3	Avera Health		X
Avera St. Mary's - 46-0230199 801 East Sioux Avenue Pierre, SD 57501	Healthcare services	South Dakota	501(c)(3)	Line 3	Avera Health		X
Avera at Home - 46-0399291 5116 S Solberg Ave Sioux Falls, SD 57108	Home services	South Dakota	501(c)(3)	Line 10	Avera Health		X
Lewis and Clark Health Education and Service Agency - 46-0337013, 1000 W 4th Street Suite 9, Yankton, SD 57078	Healthcare education	South Dakota	501(c)(3)	Line 10	Sacred Heart Health Services		X
Avera Tyler - 41-0853163 240 Willow Street Tyler, MN 56178	Healthcare services	Minnesota	501(c)(3)	Line 3	Avera Marshall		X
Avera Health Plans, Inc. - 46-0451539 3900 West Avera Drive, Suite 101 Sioux Falls, SD 57108	Health financing and 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) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
Surgical Associates Endoscopy Center, LLC - 46-0461429, 310 S Penn, Aberdeen, SD 57401	Surgical associates/Endo services	SD	Avera St. Luke's	Related	852,238.	89,067.		X	N/A		X	51.00%
Avera Home Medical Equipment of Floyd Valley Hospital, LLC - 82-0582350, 714 Lincoln St NE, Lemars, IA 51031	Medical services - home medical equipment	SD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Avera Home Medical Equipment of Sioux Center, LLC - 75-3203100, 38 19th St Sw, Sioux Center, IA 51250	Medical services - home medical equipment	SD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Avera Home Medical Equipment of Spencer Hospital, LLC - 80-0619999, 2400 S Minnesota Ave, Sioux Falls, SD 57117	Medical services - home medical equipment	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) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Accounts Management Inc. - 46-0373021 5132 S Cliff Ave, Suite 101 Sioux Falls, SD 57108	Collection agency	SD	N/A	C CORP	N/A	N/A	N/A		X
Avera Property Insurance Inc. - 46-0463155 610 W 23rd St,, Ste 1, PO Box 38 Yankton, SD 57078	Insurance	SD	N/A	C CORP	N/A	N/A	N/A		X
Valley Health Services - 46-0357149 501 Summit Street Yankton, SD 57078	Rental Real Estate	SD	N/A	C CORP	N/A	N/A	N/A		X
Alucent Medical, Inc. - 47-1818349 1325 S Cliff Avenue, PO Box 5045 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, Inc. - 46-0401087, 2600 W 49th Street, Sioux 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) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) Surgical Associates Endoscopy Clinic, LLC	L	577,530.	General Ledger
(2) Surgical Associates Endoscopy Clinic, LLC	S	765,000.	K-1 distribution
(3) Surgical Associates Endoscopy Clinic, LLC	A	88,103.	General Ledger
(4)			
(5)			
(6)			



**Part VII Supplemental Information.**

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

Part III, Identification of Related Organizations Taxable as Partnership:

Name, Address, and EIN of Related Organization:

Brookings Health System - Avera Home Medical Equipment, LLC

EIN: 45-3204123

101 22nd Ave, Suite 101

Brookings, SD 57006

# Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

For calendar year 2016 or other tax year beginning JUL 1, 2016, and ending JUN 30, 2017

# 2016

Department of the Treasury  
Internal Revenue Service

▶ **Information about Form 990-T and its instructions is available at [www.irs.gov/form990t](http://www.irs.gov/form990t).**  
▶ **Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).**

Open to Public Inspection for  
501(c)(3) Organizations Only

<b>A</b> <input type="checkbox"/> Check box if address changed  <b>B</b> Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)	<b>Print or Type</b>	Name of organization ( <input type="checkbox"/> Check box if name changed and see instructions.) Avera St. Luke's Number, street, and room or suite no. If a P.O. box, see instructions. 305 South State Street City or town, state or province, country, and ZIP or foreign postal code Aberdeen, SD 57401	<b>D</b> Employer identification number (Employees' trust, see instructions.) 46-0224598  <b>E</b> Unrelated business activity codes (See instructions.) 812900 624200
<b>C</b> Book value of all assets at end of year 178,513,834.		<b>F</b> Group exemption number (See instructions.) <span style="float: right;">▶ 0928</span>	
		<b>G</b> Check organization type ▶ <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust	

**H** Describe the organization's primary unrelated business activity. ▶ **Reference Labs**

**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? ▶  Yes  No  
 If "Yes," enter the name and identifying number of the parent corporation. ▶ **See Statement 3**

**J** The books are in care of ▶ **William E. Flett** Telephone number ▶ **605-995-2251**

Part I Unrelated Trade or Business Income	(A) Income	(B) Expenses	(C) Net
<b>1 a</b> Gross receipts or sales <span style="float: right;">593,140.</span>			
<b>b</b> Less returns and allowances			
<b>c</b> Balance ▶	<b>1c</b> 593,140.		
<b>2</b> Cost of goods sold (Schedule A, line 7)	<b>2</b>		
<b>3</b> Gross profit. Subtract line 2 from line 1c	<b>3</b> 593,140.		593,140.
<b>4 a</b> Capital gain net income (attach Schedule D)	<b>4a</b>		
<b>b</b> Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	<b>4b</b>		
<b>c</b> Capital loss deduction for trusts	<b>4c</b>		
<b>5</b> Income (loss) from partnerships and S corporations (attach statement)	<b>5</b>		
<b>6</b> Rent income (Schedule C)	<b>6</b>		
<b>7</b> Unrelated debt-financed income (Schedule E)	<b>7</b>		
<b>8</b> Interest, annuities, royalties, and rents from controlled organizations (Sch. F)...	<b>8</b>		
<b>9</b> Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	<b>9</b>		
<b>10</b> Exploited exempt activity income (Schedule I)	<b>10</b>		
<b>11</b> Advertising income (Schedule J)	<b>11</b>		
<b>12</b> Other income (See instructions; attach schedule)	<b>12</b>		
<b>13 Total.</b> Combine lines 3 through 12	<b>13</b> 593,140.		593,140.

**Part II Deductions Not Taken Elsewhere** (See instructions for limitations on deductions.)  
 (Except for contributions, deductions must be directly connected with the unrelated business income.)

<b>14</b> Compensation of officers, directors, and trustees (Schedule K)	<b>14</b>	
<b>15</b> Salaries and wages	<b>15</b>	192,070.
<b>16</b> Repairs and maintenance	<b>16</b>	
<b>17</b> Bad debts	<b>17</b>	
<b>18</b> Interest (attach schedule)	<b>18</b>	
<b>19</b> Taxes and licenses	<b>19</b>	
<b>20</b> Charitable contributions (See instructions for limitation rules)	<b>20</b>	
<b>21</b> Depreciation (attach Form 4562)	<b>21</b>	
<b>22</b> Less depreciation claimed on Schedule A and elsewhere on return	<b>22a</b>	<b>22b</b>
<b>23</b> Depletion	<b>23</b>	
<b>24</b> Contributions to deferred compensation plans	<b>24</b>	
<b>25</b> Employee benefit programs	<b>25</b>	
<b>26</b> Excess exempt expenses (Schedule I)	<b>26</b>	
<b>27</b> Excess readership costs (Schedule J)	<b>27</b>	
<b>28</b> Other deductions (attach schedule) <span style="float: right;">See Statement 2</span>	<b>28</b>	619,071.
<b>29 Total deductions.</b> Add lines 14 through 28	<b>29</b>	811,141.
<b>30</b> Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	<b>30</b>	-218,001.
<b>31</b> Net operating loss deduction (limited to the amount on line 30) <span style="float: right;">See Statement 4</span>	<b>31</b>	
<b>32</b> Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	<b>32</b>	-218,001.
<b>33</b> Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions)	<b>33</b>	1,000.
<b>34 Unrelated business taxable income.</b> Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	<b>34</b>	-218,001.

<b>Part III Tax Computation</b>	
<b>35 Organizations Taxable as Corporations.</b> See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here <input checked="" type="checkbox"/> See instructions and:	
<b>a</b> Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ _____ (2) \$ _____ (3) \$ _____	
<b>b</b> Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ _____ (2) Additional 3% tax (not more than \$100,000) \$ _____	
<b>c</b> Income tax on the amount on line 34	<b>35c</b> 0.
<b>36 Trusts Taxable at Trust Rates.</b> See instructions for tax computation. Income tax on the amount on line 34 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041)	<b>36</b>
<b>37 Proxy tax.</b> See instructions	<b>37</b>
<b>38 Alternative minimum tax</b>	<b>38</b>
<b>39 Tax on Non-Compliant Facility Income.</b> See instructions	<b>39</b>
<b>40 Total.</b> Add lines 37, 38 and 39 to line 35c or 36, whichever applies	<b>40</b> 0.

<b>Part IV Tax and Payments</b>	
<b>41a</b> Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	<b>41a</b>
<b>b</b> Other credits (see instructions)	<b>41b</b>
<b>c</b> General business credit. Attach Form 3800	<b>41c</b>
<b>d</b> Credit for prior year minimum tax (attach Form 8801 or 8827)	<b>41d</b>
<b>e Total credits.</b> Add lines 41a through 41d	<b>41e</b>
<b>42</b> Subtract line 41e from line 40	<b>42</b> 0.
<b>43</b> Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	<b>43</b>
<b>44 Total tax.</b> Add lines 42 and 43	<b>44</b> 0.
<b>45a</b> Payments: A 2015 overpayment credited to 2016	<b>45a</b>
<b>b</b> 2016 estimated tax payments	<b>45b</b>
<b>c</b> Tax deposited with Form 8868	<b>45c</b>
<b>d</b> Foreign organizations: Tax paid or withheld at source (see instructions)	<b>45d</b>
<b>e</b> Backup withholding (see instructions)	<b>45e</b>
<b>f</b> Credit for small employer health insurance premiums (Attach Form 8941)	<b>45f</b>
<b>g</b> Other credits and payments: <input type="checkbox"/> Form 2439 <input type="checkbox"/> Form 4136 <input type="checkbox"/> Other _____ Total	<b>45g</b>
<b>46 Total payments.</b> Add lines 45a through 45g	<b>46</b>
<b>47</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	<b>47</b>
<b>48 Tax due.</b> If line 46 is less than the total of lines 44 and 47, enter amount owed	<b>48</b> 0.
<b>49 Overpayment.</b> If line 46 is larger than the total of lines 44 and 47, enter amount overpaid	<b>49</b> 0.
<b>50</b> Enter the amount of line 49 you want: <b>Credited to 2017 estimated tax</b> <input type="checkbox"/> <b>Refunded</b> <input type="checkbox"/>	<b>50</b>

<b>Part V Statements Regarding Certain Activities and Other Information</b> (see instructions)		<b>Yes</b>	<b>No</b>
<b>51</b> At any time during the 2016 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>52</b> During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file.		<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>53</b> Enter the amount of tax-exempt interest received or accrued during the tax year	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>

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 taxpayer) is based on all information of which preparer has any knowledge.

<b>Sign Here</b>	Signature of officer _____ Date _____	Sec/Treas & Finance Officer _____ Title _____	May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Paid Preparer Use Only</b>	Print/Type preparer's name Kim Hunwardsen, CPA	Preparer's signature Kim Hunwardsen, CPA	Date 05/11/18
	Firm's name <b>Eide Bailly LLP</b>	Firm's EIN <b>45-0250958</b>	
	Firm's address <b>800 Nicollet Mall, Ste. 1300 Minneapolis, MN 55402-7033</b>		Phone no. <b>612-253-6500</b>



<b>Schedule A - Cost of Goods Sold.</b> Enter method of inventory valuation <span style="float:right">▶ N/A</span>				
1	Inventory at beginning of year .....	1		
2	Purchases .....	2		
3	Cost of labor .....	3		
4a	Additional section 263A costs (attach schedule) .....	4a		
b	Other costs (attach schedule) .....	4b		
5	<b>Total.</b> Add lines 1 through 4b .....	5		
6	Inventory at end of year .....	6		
7	<b>Cost of goods sold.</b> Subtract line 6 from line 5. Enter here and in Part I, line 2 .....	7		
8	Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? .....		Yes	No

**Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)**  
(see instructions)

1. Description of property		
(1)		
(2)		
(3)		
(4)		
2. Rent received or accrued		
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.
<b>(c) Total income.</b> Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) .....		<b>(b) Total deductions.</b> Enter here and on page 1, Part I, line 6, column (B) ...
		0.

**Schedule E - Unrelated Debt-Financed Income** (see instructions)

1. Description of debt-financed property		2. Gross income from or allocable to debt- financed property	3. Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
<b>Totals</b> .....			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
			0.	0.
<b>Total dividends-received deductions</b> included in column 8 .....				0.

**Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations** (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

**Nonexempt Controlled Organizations**

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				
			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).
<b>Totals</b> .....			0.	0.

**Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization** (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
		Enter here and on page 1, Part I, line 9, column (A).		Enter here and on page 1, Part I, line 9, column (B).
<b>Totals</b> .....		0.		0.

**Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income** (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
	Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 26.
<b>Totals</b> .....	0.	0.				0.

**Schedule J - Advertising Income** (see instructions)

**Part I Income From Periodicals Reported on a Consolidated Basis**

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals</b> (carry to Part II, line (5)) .....	0.	0.				0.

**Part II** **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
<b>Totals from Part I</b> .....	0.	0.				0.
<b>Totals, Part II (lines 1-5)</b> .....	0.	0.				0.

**Schedule K - Compensation of Officers, Directors, and Trustees** (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
<b>Total.</b> Enter here and on page 1, Part II, line 14 .....			0.

**SCHEDULE O  
(Form 1120)**

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service

**Consent Plan and Apportionment Schedule  
for a Controlled Group**

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.**  
▶ **Information about Schedule O (Form 1120) and its instructions is available at [www.irs.gov/form1120](http://www.irs.gov/form1120).**

OMB No. 1545-0123

Name  Avera St. Luke's	Employer identification number  46-0224598
------------------------------	--

**Part I Apportionment Plan Information**

1 Type of controlled group:

- a  Parent-subsidiary group
- b  Brother-sister group
- c  Combined group
- d  Life insurance companies only

2 This corporation has been a member of this group:

- a  For the entire year.
- b  From \_\_\_\_\_, until \_\_\_\_\_.

3 This corporation consents and represents to:

- a  Adopt an apportionment plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.
- b  Amend the current apportionment plan. All the other members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending \_\_\_\_\_, and for all succeeding tax years.
- c  Terminate the current apportionment plan and not adopt a new plan. All the other members of this group are not adopting an apportionment plan.
- d  Terminate the current apportionment plan and adopt a new plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on \_\_\_\_\_, and for all succeeding tax years.

4 If you checked box 3c or 3d above, check the applicable box below to indicate if the termination of the current apportionment plan was:

- a  Elected by the component members of the group.
- b  Required for the component members of the group.

5 If you did not check a box on line 3 above, check the applicable box below concerning the status of the group's apportionment plan (see instructions).

- a  No apportionment plan is in effect and none is being adopted.
- b  An apportionment plan is already in effect. It was adopted for the tax year ending JUNE 30, 2013, and for all succeeding tax years.

6 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.

- a  Yes.
  - (i)  The statute of limitations for this year will expire on \_\_\_\_\_.
  - (ii)  On \_\_\_\_\_, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until \_\_\_\_\_.
- b  No. The members may not adopt or amend an apportionment plan.

7 Required information and elections for component members. Check the applicable box(es) (see instructions).

- a  The corporation will determine its tax liability by applying the maximum tax rate imposed by section 11 to the entire amount of its taxable income.
- b  The corporation and the other members of the group elect the FIFO method (rather than defaulting to the proportionate method) for allocating the additional taxes for the group imposed by section 11(b)(1).
- c  The corporation has a short tax year that does not include December 31.

**For Paperwork Reduction Act Notice, see Instructions for Form 1120.**

**Schedule O (Form 1120) (Rev. 12-2012)**

**Part II Taxable Income Apportionment** (See instructions)

**Caution:** Each total in Part II, column (g) for each component member must equal taxable income from Form 1120, page 1, line 30 or the comparable line of such member's tax return.

	(a) Group member's name and employer identification number	(b) Tax year end (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket				(g) Total (add columns (c) through (f))
			(c) 15%	(d) 25%	(e) 34%	(f) 35%	
<b>1</b>	Avera St. Luke's	46-0224598	17-06	0.	0.	0.	0.
<b>2</b>	Avera Health Plans	46-0451539	16-12	0.	0.	0.	0.
<b>3</b>	Valley Health Services	46-0357149	17-06	0.	0.	0.	0.
<b>4</b>	Avera Property Insurance	46-0463155	17-06	0.	0.	0.	0.
<b>5</b>	Avera Marshall	41-0919153	17-06	0.	0.	26,532.	26,532.
<b>6</b>	Avera Health	46-0422673	17-06	0.	0.	0.	0.
<b>7</b>	Alucent Medical, Inc.	47-1818349	16-12	0.	0.	0.	0.
<b>8</b>	Avera at Home	46-0399291	17-06	0.	0.	5,250.	5,250.
<b>9</b>	Avera McKennan	46-0224743	17-06	50,000.	25,000.	6,493,194.	6,568,194.
<b>10</b>	South Dakota State Medical Holding Co	46-0401087	16-12	0.	0.	0.	0.
<b>11</b>							
<b>12</b>							
<b>Total</b>				50,000.	25,000.	6,524,976.	6,599,976.

Schedule O (Form 1120) (Rev. 12-2012)

**Part III Income Tax Apportionment** (See instructions)

(a) Group member's name	Income Tax Apportionment						(h) Total income tax (combine lines (b) through (g))
	(b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	
<b>1</b> Avera St. Luke's	0.	0.	0.		0.		
<b>2</b> Avera Health Plans	0.	0.	0.		0.		
<b>3</b> Valley Health Services	0.	0.	0.		0.		
<b>4</b> Avera Property Insurance	0.	0.	0.		0.		
<b>5</b> Avera Marshall	0.	0.	9,021.		0.		9,021.
<b>6</b> Avera Health	0.	0.	0.		0.		
<b>7</b> Alucent Medical, Inc.	0.	0.	0.		0.		
<b>8</b> Avera at Home	0.	0.	1,785.		0.		1,785.
<b>9</b> Avera McKennan	7,500.	6,250.	2,207,686.		11,750.		2,233,186.
<b>10</b> South Dakota State Medical Holding Co	0.	0.	0.		0.		
<b>11</b>							
<b>12</b>							
<b>Total</b>	7,500.	6,250.	2,218,492.		11,750.		2,243,992.

Schedule O (Form 1120) (Rev. 12-2012)

**Part IV Other Apportionments** (See instructions)

(a) Group member's name	Other Apportionments				
	(b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
<b>1</b> Avera St. Luke's	0.	30,000.	140,000.	0.	0.
<b>2</b> Avera Health Plans	0.	0.	0.	0.	0.
<b>3</b> Valley Health Services	25,000.	8,375.	8,375.	0.	0.
<b>4</b> Avera Property Insurance	25,000.	1,625.	1,625.	0.	0.
<b>5</b> Avera Marshall	0.	0.	0.	0.	0.
<b>6</b> Avera Health	50,000.	0.	0.	0.	0.
<b>7</b> Alucent Medical, Inc.	0.	0.	0.	0.	0.
<b>8</b> Avera at Home	0.	0.	0.	0.	0.
<b>9</b> Avera McKennan	50,000.	0.	0.	0.	0.
<b>10</b> South Dakota State Medical Holding Co	0.	0.	0.	0.	0.
<b>11</b>					
<b>12</b>					
<b>Total</b>	150,000.	40,000.	150,000.		

Schedule O (Form 1120) (Rev. 12-2012)

**Statement of Consent to Apportionment Plan  
Under IRC Sec. 179(d)(6). As amended.**

The undersigned corporations hereby consent to the following apportionment plan with respect to December 31, 2016  
Under Internal Revenue Code Section 179(d)(6), as amended by P.L. 97-34, as it applies to tax years beginning after  
December 31, 1980.

Group Member's Name and Employer Identification Number		Tax Year End	Section 179 Apportionment		
			Cost of Property	Expensed Cost	
1.	Avera Health Plans	46-0451539	12/31/16	0.	0.
2.	Valley Health Services	46-0357149	06/30/17	0.	125,000.
3.	Avera Property Insurance	46-0463155	06/30/17	0.	125,000.
4.	Avera Marshall	41-0919153	06/30/17	0.	0.
5.	Avera Health	46-0422673	06/30/17	0.	0.
6.	Alucent Medical, Inc.	47-1818349	12/31/16	0.	250,000.

The original of this election is filed with the Internal Revenue Service at: Ogden, UT  
together with the tax return of \_\_\_\_\_  
filing for a taxable year including December 31. All other corporations are including a copy of this consent with their returns.

1.  
\_\_\_\_\_  
(Name of corporation) By Title

2.  
\_\_\_\_\_  
(Name of corporation) By Title

3.  
\_\_\_\_\_  
(Name of corporation) By Title

4.  
\_\_\_\_\_  
(Name of corporation) By Title

5.  
\_\_\_\_\_  
(Name of corporation) By Title

6.  
\_\_\_\_\_  
(Name of corporation) By Title



**Statement of Consent to Apportionment Plan  
Under IRC Sec. 179(d)(6). As amended.**

The undersigned corporations hereby consent to the following apportionment plan with respect to December 31, 2016  
Under Internal Revenue Code Section 179(d)(6), as amended by P.L. 97-34, as it applies to tax years beginning after  
December 31, 1980.

Group Member's Name and Employer Identification Number		Tax Year End	Section 179 Apportionment	
			Cost of Property	Expensed Cost
1.	Avera at Home 46-0399291	06/30/17	0.	0.
2.	Avera McKennan 46-0224743	06/30/17	0.	0.
3.	Avera St. Luke's 46-0224598	06/30/17	0.	0.
4.	South Dakota State Medical Holding C 46-0401087	12/31/16	0.	0.
5.				
6.				

The original of this election is filed with the Internal Revenue Service at: Ogden, UT  
together with the tax return of \_\_\_\_\_  
filing for a taxable year including December 31. All other corporations are including a copy of this consent with their returns.

1.  
\_\_\_\_\_  
(Name of corporation) By Title

2.  
\_\_\_\_\_  
(Name of corporation) By Title

3.  
\_\_\_\_\_  
(Name of corporation) By Title

4.  
\_\_\_\_\_  
(Name of corporation) By Title

5.  
\_\_\_\_\_  
(Name of corporation) By Title

6.  
\_\_\_\_\_  
(Name of corporation) By Title

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Footnotes

Statement 1

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Section 1.263(a)-1(f) De Minimis Safe Harbor Election

The organization is making the de minimis safe harbor election under Reg. Sec. 1.263(a)-1(f).

Form 990-T	Other Deductions	Statement	2
<u>Description</u>		<u>Amount</u>	
Supplies and Other Expenses		619,071.	
Total to Form 990-T, Page 1, line 28		619,071.	

Form 990-T	Parent Corporation's Name and Identifying Number	Statement	3
<u>Corporation's Name</u>		<u>Identifying No</u>	
Avera Health		46-0422673	

Form 990-T	Net Operating Loss Deduction			Statement	4
<u>Tax Year</u>	<u>Loss Sustained</u>	<u>Loss Previously Applied</u>	<u>Loss Remaining</u>	<u>Available This Year</u>	
06/30/14	67,251.	0.	67,251.	67,251.	
06/30/15	188,729.	0.	188,729.	188,729.	
06/30/16	110,491.	0.	110,491.	110,491.	
NOL Carryover Available This Year			366,471.	366,471.	

# 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>	Name of exempt organization or other filer, see instructions.	Employer identification number (EIN) or
	Avera St. Luke's	46-0224598
	Number, street, and room or suite no. If a P.O. box, see instructions.	Social security number (SSN)
	305 South State Street	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.	
	Aberdeen, SD 57401	

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

William E. Flett

- The books are in the care of ▶ 305 South State Street - Aberdeen, SD 57401  
Telephone No. ▶ 605-995-2251 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.

LHA **For Privacy Act and Paperwork Reduction Act Notice, see instructions.**

Form **8868** (Rev. 1-2017)

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

# 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>	Name of exempt organization or other filer, see instructions.  Avera St. Luke's	Employer identification number (EIN) or  46-0224598
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. 305 South State Street	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Aberdeen, SD 57401	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 7

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

William E. Flett

• The books are in the care of ▶ 305 South State Street - Aberdeen, SD 57401  
Telephone No. ▶ 605-995-2251 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.

LHA **For Privacy Act and Paperwork Reduction Act Notice, see instructions.**

Form **8868** (Rev. 1-2017)

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



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, 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)

	2017	2016
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	1,612,833	1,531,355
Premium revenue	308,809	190,099
Other revenue	124,113	114,434
Total revenues, gains, and other support	2,045,755	1,835,888
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	96,047	87,411
Total expenses	1,994,497	1,791,726
Operating Income	51,258	44,162
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 designated as hedges	4,796	(3,139)
Reclassification of accumulated losses on interest rate swaps	(432)	(504)
Other income (loss), net	64,571	(22,495)
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
Increase in Unrestricted Net Assets	\$ 115,153	\$ 27,562

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	10,712	13,969
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>
 <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>
 <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>
 <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 Interest	Noncontrolling 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 on interest rate swaps	504	-	504
Grants and contributions restricted for capital purposes	3,279	-	3,279
Net assets released from restrictions for 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 on interest rate swaps	432	-	432
Grants and contributions restricted for capital purposes	3,081	-	3,081
Net assets released from restrictions for 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>

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	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 Receivable	Contribution Commitments	Physician Guarantee Asset	Physician Guarantee 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 Depreciation	Cost	Accumulated 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 Ownership/ 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>

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

	Cost	Accumulated Amortization	Net
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
	\$ 30,979	\$ (21,881)	\$ 9,098
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
	\$ 31,536	\$ (19,982)	\$ 11,554

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
			\$ 9,098

**Note 8 - Long-Term Debt**

	2017	2016
Obligated Group Master Trust Obligations		
South Dakota Health and Educational Facilities Authority Revenue Bonds Payable, Series 2008B, 5.25% to 5.50%, interest only until July 1, 2033, then varying annual installments to July 1, 2038	\$ 50,320	\$ 50,320
Unamortized bond discount	(205)	(216)
Unamortized debt issuance costs	(289)	(304)
South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Demand Revenue Bonds, 1.16% to 1.51% during the fiscal year for a weighted average interest rate of 1.28%, varying annual installments through tender date of April 2022 with a stated maturity of July 1, 2033	55,750	57,850
Unamortized debt issuance costs	-	(21)
South Dakota Health and Educational Facilities Authority Series 2012A Revenue Bonds, fixed interest rates ranging from 3.00% to 5.00%, due in varying semi- annual interest payments and annual principal payments to July 1, 2042	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 Bonds, variable interest rates from 1.40% to 1.84% during the fiscal year for a weighted average interest rate of 1.58%, varying principal payments due annually through initial tender date of May 1, 2019, final maturity of July 1, 2038	120,735	122,850
Unamortized debt issuance costs	(75)	(116)
South Dakota Health and Educational Facilities Authority Series 2014A Revenue Bonds, fixed interest rates ranging from 4.125% to 5.00%, interest only until July 1, 2039, then varying annual installments to July 1, 2044	58,750	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 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 payments of \$97 through October 1, 2022	5,708	6,681
Series 2012E, fixed interest rate of 2.70%, due in monthly 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 due monthly with annual principal payments of \$1,080 beginning 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 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 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

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

	2017	2016
Other Obligations of Obligated Group Members		
City of Creighton Health Care Facility Revenue Bonds, due annually in increasing installments through December 15, 2026		
Series 2006A, 4.375%	\$ 2,315	\$ 2,508
Series 2006B, 4.375%	81	87
Notes payable, 4.00% fixed interest, resets to a variable rate note on January 1, 2019 at the prime rate plus 1% subject to 4.00% floor, due in monthly principal and interest payments of \$47 with final balloon 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 June 30, 2017), monthly principal and interest payments of \$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 from 2.26% to 3.76%, due in monthly principal and interest payments to March 2022	5,166	5,923
Note payable, fixed interest rate of 2.00%, due in annual payments of \$52 through April 2018	50	100
Note payable, fixed interest rate of 3.968%, due in varying annual payments through August 2019	240	320
Notes payable, fixed interest rates from 0% to 5%, due in monthly principal and interest payments through December 2023	242	300
Capital lease obligations	108	223
Total Other Obligations of Obligated Group Members	22,049	25,103

Avera Health  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016  
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	2017	2016
Obligations of Non-Obligated Group Members		
City of Estherville, Iowa, Avera Holy Family Health Revenue Bonds, Series 2012, 2.05% to 3.75% (effective interest rate of 3.34%), 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 Revenue Refunding Note, 3.25%, due in monthly payments of \$70 through December 2027	7,406	7,992
Unamortized debt issuance costs	(30)	(33)
City of O'Neill, Nebraska, Avera St. Anthony's, Series 2012B Revenue Refunding Note, 4.75%, due in monthly payments of \$11 through December 2027	1,109	1,189
Unamortized debt issuance costs	(5)	(5)
City of Parkston, South Dakota, Avera St. Benedict Health Center, Series 2001, revenue bonds, 4.50%, due in varying annual installments to October 2016	-	40
City of Parkston, South Dakota, Avera St. Benedict Health Center, Series 2005, revenue bonds, 3.50%, for five years, with interest rate readjusted every five years according to a preset formula, due in varying annual installments to April 2025, interest rate to be 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 Leases</u>	<u>Operating 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 Date</u>	<u>Notional Amount</u>	<u>Organization Pays</u>	<u>Organization Receives</u>	<u>Fair Value</u>	
					2017	2016
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 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 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, 2016 Plan Assets</u>	<u>December 31, 2016 Actuarial Present Value of Accumulated Plan Benefits</u>	<u>Year Ended December 31, 2016 Total Plan Contributions</u>
Defined Benefit Pension Plan – Career Average	46-0253283	\$ 351,742	\$ 429,655	\$ 21,213
Defined Benefit Pension Plan – 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 Obligated Group	Non-Obligated Group	Eliminations and 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 Obligated Group	Non-Obligated Group	Eliminations and 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, 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 Obligated Group	Non-Obligated Group	Eliminations and 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 Obligated Group	Non-Obligated Group	Eliminations and 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, 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 Obligated Group	Non-Obligated Group	Eliminations and 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, 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 swaps not designated as hedges	4,796	-	-	4,796
Reclassification of accumulated 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 distributions of earnings to noncontrolling interests, net	(6,248)	-	-	(6,248)
Reclassification of accumulated losses on interest rate swap	432	-	-	432
Grants and contributions for capital purposes	3,081	-	-	3,081
Net assets released from restrictions 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 Obligated Group	Non-Obligated Group	Eliminations and 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, 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 swaps not designated as hedges	(3,139)	-	-	(3,139)
Reclassification of accumulated 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 distributions of earnings to noncontrolling interests, net	(6,483)	-	-	(6,483)
Reclassification of accumulated losses on interest rate swap	504	-	-	504
Grants and contributions for capital purposes	3,279	-	-	3,279
Net assets released from restrictions 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>