

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.
▶ Go to www.irs.gov/Form990 for instructions and the latest information.

A For the 2018 calendar year, or tax year beginning **JUL 1, 2018** and ending **JUN 30, 2019**

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	C Name of organization Avera Marshall Doing business as Avera Marshall Regional Medical Number and street (or P.O. box if mail is not delivered to street address) Room/suite 300 S. Bruce Street City or town, state or province, country, and ZIP or foreign postal code Marshall, MN 56258-1934	D Employer identification number 41-0919153 E Telephone number 507-532-9661
F Name and address of principal officer: Mary Maertens same as C above		G Gross receipts \$ 98,047,215. H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions) H(c) Group exemption number ▶
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		
J Website: ▶ www.avera.org		
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: 1944 M State of legal domicile: MN

Part I Summary

	1 Briefly describe the organization's mission or most significant activities: Promotion of health																									
Activities & Governance	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets. 3 Number of voting members of the governing body (Part VI, line 1a) 3 13 4 Number of independent voting members of the governing body (Part VI, line 1b) 4 11 5 Total number of individuals employed in calendar year 2018 (Part V, line 2a) 5 697 6 Total number of volunteers (estimate if necessary) 6 156 7a Total unrelated business revenue from Part VIII, column (C), line 12 7a 48,436. 7b Net unrelated business taxable income from Form 990-T, line 38 7b 30,689.																									
Revenue	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Prior Year</th> <th style="text-align: center;">Current Year</th> </tr> </thead> <tbody> <tr> <td>8 Contributions and grants (Part VIII, line 1h)</td> <td style="text-align: right;">298,926.</td> <td style="text-align: right;">279,101.</td> </tr> <tr> <td>9 Program service revenue (Part VIII, line 2g)</td> <td style="text-align: right;">87,407,483.</td> <td style="text-align: right;">96,686,666.</td> </tr> <tr> <td>10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td> <td style="text-align: right;">2,048,141.</td> <td style="text-align: right;">965,081.</td> </tr> <tr> <td>11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td> <td style="text-align: right;">65,712.</td> <td style="text-align: right;">93,441.</td> </tr> <tr> <td>12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td> <td style="text-align: right;">89,820,262.</td> <td style="text-align: right;">98,024,289.</td> </tr> </tbody> </table>		Prior Year	Current Year	8 Contributions and grants (Part VIII, line 1h)	298,926.	279,101.	9 Program service revenue (Part VIII, line 2g)	87,407,483.	96,686,666.	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,048,141.	965,081.	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	65,712.	93,441.	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	89,820,262.	98,024,289.							
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Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer Julie Norton, CFO Avera Health Type or print name and title	Date 			
Paid Preparer Use Only	Print/Type preparer's name Kim Hunwardsen, CPA	Preparer's signature Kim Hunwardsen, CPA	Date 05/12/20	Check if self-employed <input type="checkbox"/>	PTIN P00484560
	Firm's name ▶ Eide Bailly LLP	Firm's EIN ▶ 45-0250958			
	Firm's address ▶ 800 Nicollet Mall, Ste. 1300 Minneapolis, MN 55402-7033		Phone no. 612-253-6500		

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

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III [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 \$ 93,809,603. including grants of \$ 25,000.) (Revenue \$ 96,712,089.)
Avera Marshall's mission is to provide healthcare services to Marshall, Minnesota residents and residents of the surrounding area. Avera Marshall is a 501(c)(3) organization affiliated with Avera Health. Avera Marshall consists of a 25-bed critical access hospital and a 76-bed nursing home in Marshall, Minnesota, five physician clinics and four optometry clinics. The program services offered include primary care, general surgery, neurology, dermatology, pediatrics, orthopedics, OG/GYN, urology, oncology, podiatry, nephrology, radiology, optometry, ophthalmology, level III trauma center, ICU, speech therapy, physical therapy and occupational therapy.
Avera Marshall provides acute care and long-term healthcare services, of which there were 2,133 patient discharges, 71,580 outpatient visits,

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 93,809,603.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?		X
3 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
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	X	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7 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
8 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
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>	X	
10 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
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
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	
c Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a 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 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	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
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
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		X
18 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
19 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
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	
21 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

Part IV Checklist of Required Schedules (continued)

	Yes	No
22 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	
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. 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 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
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		X
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
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X	
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
36 Section 501(c)(3) organizations. 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
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

	Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance *(continued)*

		Yes	No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
	2a 697		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	X	
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	X	
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
d	If "Yes," indicate the number of Forms 8282 filed during the year		
	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the sponsoring organization make any taxable distributions under section 4966?		
b	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state?	13a	
Note. See the instructions for additional information the organization must report on Schedule O.			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b	
c	Enter the amount of reserves on hand	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	
15	Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year?	15	X
If "Yes," see instructions and file Form 4720, Schedule N.			
16	Is the organization an educational institution subject to the section 4968 excise tax on net investment income?	16	X
If "Yes," complete Form 4720, Schedule O.			

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

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

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
	1a 13		
b	Enter the number of voting members included in line 1a, above, who are independent		
	1b 11		
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?	X	
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?		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?	X	
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?	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	X	
b	Each committee with authority to act on behalf of the governing body?	X	
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		X

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

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

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **MN**
- 18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records **Jamie Schaefer - 605-322-3992**
3900 W. Avera Dr., Ste 300, Sioux Falls, SD 57108

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) Joyce Strootman Chair	1.30 1.30	X		X				0.	0.	0.
(2) Doug Olsem Vice Chair	1.30 1.30	X		X				0.	0.	0.
(3) Todd Bock Director	1.30 1.30	X						0.	0.	0.
(4) Amanda Sieling Director	1.30 1.30	X						0.	0.	0.
(5) Sr. Kathleen Bierne Director	1.30 2.30	X						0.	0.	0.
(6) Sr. Jodie Zimmerman Director	1.30 1.30	X						0.	0.	0.
(7) Sr. Roxanne Seifert Director	1.30 41.30	X						0.	0.	0.
(8) Randy Serreyn Director	1.30 1.30	X						0.	0.	0.
(9) Quentin Fixen Director	1.30 1.30	X						0.	0.	0.
(10) Laurie Johansen Director	1.30 1.30	X						0.	0.	0.
(11) George Jorgensen Director	1.30 1.30	X						0.	0.	0.
(12) Curtis Louwagie, MD Director/Ophthalmologist	41.30 1.30	X					868,838.	0.	45,120.	
(13) Mary B. Maertens President & CEO	40.00 2.50	X		X			0.	418,366.	44,004.	
(14) Jim Breckenridge CFO Avera Health; Sec/Treas	0.10 39.90			X			0.	918,859.	34,586.	
(15) Doris Derynck VP Clinical Operations/CNO	40.00 0.50				X		164,516.	0.	32,319.	
(16) Vikram Chatrath, MD Orthopedics & Surgery	40.00 0.00					X	1,024,949.	0.	48,857.	
(17) Alain Desy, MD Orthopedics & Surgery	40.00 0.00					X	684,014.	0.	43,457.	

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) Edward Wolske, MD ER Physician	40.00 0.00					X		477,623.	0.	43,747.
(19) Trent Carlson General Surgery	40.00 0.00					X		498,912.	0.	34,520.
(20) Timothy Mok Family Practice Physician	40.00 0.00					X		450,343.	0.	43,747.
(21) Sharon Williams/Former Sec/Treas & VP Finance	0.00 40.00						X	135,179.	41,502.	33,779.
1b Sub-total								4,304,374.	1,378,727.	404,136.
c Total from continuation sheets to Part VII, Section A								0.	0.	0.
d Total (add lines 1b and 1c)								4,304,374.	1,378,727.	404,136.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **80**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	X	
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		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 57105	Shared services	4,889,639.
Big Stone Therapies Inc. 209 Waginston Ave, Ortonville, MN 56278	Therapy Services	3,062,985.
Journey Group Companies PO Box 2728, Sioux Falls, SD 57101	Construction Services	2,257,804.
Avera McKennan 1325 S Cliff Ave, Sioux Falls, SD 57117	Physicians and Anciliary	1,644,290.
Barton Associates, Inc. PO Box 417844, Boston, MA 02241-7844	Physician Services	880,036.

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 **22**

Part VIII Statement of Revenue

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

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e	279,101.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f					
	g Noncash contributions included in lines 1a-1f: \$						
	h Total. Add lines 1a-1f		279,101.				
Program Service Revenue	2 a Net Patient Service Revenue	Business Code 622110	95,488,651.	95,488,651.			
	b Pharmacy Revenue	900099	837,082.	837,082.			
	c Cafeteria Revenue	900099	256,478.	256,478.			
	d Partnership Revenue/Loss	900099	-183,471.	-183,471.			
	e						
	f All other program service revenue	900099	287,926.	239,490.	48,436.		
	g Total. Add lines 2a-2f		96,686,666.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		46,943.			46,943.	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6 a Gross rents	(i) Real	90,944.				
		(ii) Personal					
		b Less: rental expenses	22,926.				
		c Rental income or (loss)	68,018.				
	d Net rental income or (loss)		68,018.			68,018.	
	7 a Gross amount from sales of assets other than inventory	(i) Securities	911,627.				
		(ii) Other	6,511.				
		b Less: cost or other basis and sales expenses	0.	0.			
		c Gain or (loss)	911,627.	6,511.			
	d Net gain or (loss)		918,138.			918,138.	
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a					
b Less: direct expenses		b					
c Net income or (loss) from fundraising events							
9 a Gross income from gaming activities. See Part IV, line 19	a						
	b Less: direct expenses	b					
	c Net income or (loss) from gaming activities						
10 a Gross sales of inventory, less returns and allowances	a						
	b Less: cost of goods sold	b					
	c Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code					
11 a Operating interest	900099	25,423.	25,423.				
	b						
	c						
	d All other revenue						
	e Total. Add lines 11a-11d		25,423.				
12 Total revenue. See instructions		98,024,289.	96,663,653.	48,436.	1,033,099.		

Part IX Statement of Functional Expenses

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

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2 Grants and other assistance to domestic individuals. See Part IV, line 22	25,000.	25,000.		
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	959,206.	756,797.	202,409.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	56,152.		56,152.	
7 Other salaries and wages	45,965,052.	44,578,369.	1,291,570.	95,113.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	2,120,131.	2,059,025.	59,602.	1,504.
9 Other employee benefits	5,716,821.	5,423,514.	277,387.	15,920.
10 Payroll taxes	2,689,062.	2,567,007.	115,501.	6,554.
11 Fees for services (non-employees):				
a Management				
b Legal	453,032.		453,032.	
c Accounting	5,700.	5,250.	450.	
d Lobbying	2,892.		2,892.	
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	15,732,398.	9,615,761.	6,116,637.	
12 Advertising and promotion	684.	464.	220.	
13 Office expenses	1,263,204.	1,150,398.	110,039.	2,767.
14 Information technology	370,652.	231,772.	138,880.	
15 Royalties				
16 Occupancy	1,645,829.	1,461,348.	184,481.	
17 Travel	497,033.	445,615.	45,401.	6,017.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	87,742.	79,020.	8,722.	
20 Interest	860,438.	860,438.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,730,867.	4,617,583.	109,874.	3,410.
23 Insurance	452,362.	449,633.	2,729.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a Medical Supplies	16,448,574.	16,438,889.	9,685.	
b Fees, Taxes and Surchar	1,356,094.	473,225.	882,869.	
c Bad Debt Expense	1,209,369.	1,209,369.		
d Provision for income ta	9,337.	9,337.		
e All other expenses	2,081,952.	1,351,789.	699,424.	30,739.
25 Total functional expenses. Add lines 1 through 24e	104,739,583.	93,809,603.	10,767,956.	162,024.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

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

Part X Balance Sheet

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

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing		1	
	2 Savings and temporary cash investments	4,078,102.	2	2,083,312.
	3 Pledges and grants receivable, net	87,035.	3	5,857.
	4 Accounts receivable, net	11,989,755.	4	15,362,271.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	2,422,611.	8	2,789,911.
	9 Prepaid expenses and deferred charges	1,477,659.	9	1,845,954.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 106,790,262.		
	b Less: accumulated depreciation	10b 52,121,226.		
	11 Investments - publicly traded securities		11	
	12 Investments - other securities. See Part IV, line 11	40,669,743.	12	26,980,387.
	13 Investments - program-related. See Part IV, line 11	572,625.	13	1,101,678.
	14 Intangible assets	25,751.	14	3,096,053.
	15 Other assets. See Part IV, line 11		15	
16 Total assets. Add lines 1 through 15 (must equal line 34)	92,846,576.	16	107,934,459.	
Liabilities	17 Accounts payable and accrued expenses	5,774,529.	17	10,275,836.
	18 Grants payable		18	
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities	15,206,910.	20	14,753,202.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	5,408.	21	16,551.
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	17,157,537.
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	735,649.	25	1,400,958.
	26 Total liabilities. Add lines 17 through 25	21,722,496.	26	43,604,084.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	67,387,418.	27	60,527,665.
	28 Temporarily restricted net assets	3,294,258.	28	3,360,306.
	29 Permanently restricted net assets	442,404.	29	442,404.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	71,124,080.	33	64,330,375.
	34 Total liabilities and net assets/fund balances	92,846,576.	34	107,934,459.

Part XI Reconciliation of Net Assets

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

1	Total revenue (must equal Part VIII, column (A), line 12)	1	98,024,289.
2	Total expenses (must equal Part IX, column (A), line 25)	2	104,739,583.
3	Revenue less expenses. Subtract line 2 from line 1	3	-6,715,294.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	71,124,080.
5	Net unrealized gains (losses) on investments	5	-418,357.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	339,946.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	64,330,375.

Part XII Financial Statements and Reporting

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

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

SCHEDULE A
(Form 990 or 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.
▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the organization

Avera Marshall

Employer identification number

41-0919153

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

The organization is not a private foundation because it is: (For lines 1 through 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		
Total						

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge ...						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4.						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources ...						
9 Net income from unrelated business activities, whether or not the business is regularly carried on ...						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2018 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2017 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2018. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 33 1/3% support test - 2017. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2018. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2017. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		<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) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) 2018	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

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

Section C. Computation of Public Support Percentage

15 Public support percentage for 2018 (line 8, column (f), divided by line 13, column (f))	15	%
16 Public support percentage from 2017 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2018 (line 10c, column (f), divided by line 13, column (f))	17	%
18 Investment income percentage from 2017 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2018. 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 - 2017. 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
1 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>		
2 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>		
3a 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 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>		
c 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>		
4a 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 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>		
c 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>		
5a 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 Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 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>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as 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>		
8 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>		
9a 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 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>		
c 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>		
10a 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 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
11 Has the organization accepted a gift or contribution from any of the following persons?		
a 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 A family member of a person described in (a) above?		
c 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 .		

Section B. Type I Supporting Organizations

	Yes	No
1 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.		
2 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.		

Section C. Type II Supporting Organizations

	Yes	No
1 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).		

Section D. All Type III Supporting Organizations

	Yes	No
1 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?		
2 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).		
3 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.		

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2 Activities Test. Answer (a) and (b) below.		Yes	No
a 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 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.			
3 Parent of Supported Organizations. Answer (a) and (b) below.			
a 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 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.			

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.

Section A - Adjusted Net Income		(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	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8	

Section B - Minimum Asset Amount		(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	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (explain in detail in Part VI):		
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	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			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	Distributable Amount. 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)

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI). See instructions.	
7 Total annual distributions. Add lines 1 through 6.	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9 Distributable amount for 2018 from Section C, line 6	
10 Line 8 amount divided by line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2018	(iii) Distributable Amount for 2018
1 Distributable amount for 2018 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2018 (reasonable cause required- explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2018			
a From 2013			
b From 2014			
c From 2015			
d From 2016			
e From 2017			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2018 distributable amount			
i Carryover from 2013 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2018 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2018 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2018, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI . See instructions.			
6 Remaining underdistributions for 2018. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI . See instructions.			
7 Excess distributions carryover to 2019. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2014			
b Excess from 2015			
c Excess from 2016			
d Excess from 2017			
e Excess from 2018			

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2018

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.**
 ▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

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 Avera Marshall	Employer identification number 41-0919153
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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) 2018

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b Total lobbying expenditures to influence a legislative body (direct lobbying)														
c Total lobbying expenditures (add lines 1a and 1b)														
d Other exempt purpose expenditures														
e Total exempt purpose expenditures (add lines 1c and 1d)														
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:35%;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width:65%;">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.													
g Grassroots nontaxable amount (enter 25% of line 1f)														
h Subtract line 1g from line 1a. If zero or less, enter -0-														
i Subtract line 1f from line 1c. If zero or less, enter -0-														
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

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

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2015	(b) 2016	(c) 2017	(d) 2018	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

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

For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? ..		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		2,892.
j Total. Add lines 1c through 1i			2,892.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

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

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

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

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, 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 Marshall 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.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the organization Avera Marshall **Employer identification number** 41-0919153

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

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

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

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

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

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 7/25/06, and not on a historic structure listed in the National Register	2d

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

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

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

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

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

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

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

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

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

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

(i) Revenue included on Form 990, Part VIII, line 1

(ii) Assets included in Form 990, Part X

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

a Revenue included on Form 990, Part VIII, line 1

b Assets included in Form 990, Part X

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

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

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

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

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

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

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

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

	Amount
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					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

- a Board designated or quasi-endowment _____ %
- b Permanent endowment _____ %
- c Temporarily restricted endowment _____ %

The percentages 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:

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

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

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" 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		1,070,769.		1,070,769.
b Buildings		65,961,547.	29,327,690.	36,633,857.
c Leasehold improvements		112,244.	38,199.	74,045.
d Equipment		34,160,446.	22,276,545.	11,883,901.
e Other		5,485,256.	478,792.	5,006,464.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				54,669,036.

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) Interest in Avera Health		
(B) Foundation	3,973,940.	End-of-Year Market Value
(C) Assets Limited to		
(D) Use-Avera Pooled		
(E) Investments	22,647,920.	End-of-Year Market Value
(F) Other Investments	358,527.	End-of-Year Market Value
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶	26,980,387.	

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)		
Total. (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)	
Total. (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	
(3) Settlements	1,400,958.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	1,400,958.

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.

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

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

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

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

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Part IV, line 2b:

The Organization holds funds on behalf of its residents.

Part X, Line 2:

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 consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**SCHEDULE H
(Form 990)**

Hospitals

OMB No. 1545-0047

2018

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, question 20.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Open to Public Inspection

Name of the organization **Avera Marshall** Employer identification number **41-0919153**

Part I Financial Assistance and Certain Other Community Benefits at Cost

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

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

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
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)			579,265.		579,265.	.56%
b Medicaid (from Worksheet 3, column a)			7180349.	6654660.	525,689.	.51%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total. Financial Assistance and Means-Tested Government Programs			7759614.	6654660.	1104954.	1.07%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			270,857.	5,649.	265,208.	.26%
f Health professions education (from Worksheet 5)			184,349.		184,349.	.18%
g Subsidized health services (from Worksheet 6)			8884017.	2994846.	5889171.	5.69%
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			53,937.		53,937.	.05%
j Total. Other Benefits			9393160.	3000495.	6392665.	6.18%
k Total. Add lines 7d and 7j			17152774.	9655155.	7497619.	7.25%

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			121.		121.	.00%
2 Economic development			1,303.		1,303.	.00%
3 Community support			133,077.		133,077.	.13%
4 Environmental improvements			10.		10.	.00%
5 Leadership development and training for community members			73,741.		73,741.	.07%
6 Coalition building			263.		263.	.00%
7 Community health improvement advocacy			920.		920.	.00%
8 Workforce development			404.		404.	.00%
9 Other						
10 Total			209,839.		209,839.	.20%

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		
	1,209,369.		
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		
	22,265,192.		
6 Enter Medicare allowable costs of care relating to payments on line 5	6		
	22,294,190.		
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7		
	-28,998.		
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 %

Part V Facility Information

Section A. Hospital Facilities

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

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

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

1 Avera Marshall Regional Medical Center
300 S. Bruce Street
Marshall, MN 56258
www.averamarshall.org
00343

Table with 8 columns: Licensed hospital, Gen. medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, and Facility reporting group. Row 1 contains 'X' marks in Licensed hospital, Gen. medical & surgical, Critical access hospital, and ER-24 hours columns, and '7 Provider Based Clinics' in the Other (describe) column.

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 Marshall

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

	Yes	No
Community Health Needs Assessment		
1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year?		X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C		X
3 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 12	X	
If "Yes," indicate what the CHNA report describes (check all that apply):		
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The significant health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s)		
j <input type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>18</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>www.avera.org/marshall/</u>		
b <input checked="" type="checkbox"/> Other website (list url): <u>See Part V, Page 8</u>		
c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	X	
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>18</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	X	
a If "Yes," (list url): <u>See Part V, Page 8</u>		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?		
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?		
c If "Yes" to line 12b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V Facility Information (continued)

Financial Assistance Policy (FAP)

Name of hospital facility or letter of facility reporting group **Avera Marshall**

	Yes	No
<p>Did the hospital facility have in place during the tax year a written financial assistance policy that:</p> <p>13 Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care?</p> <p>If "Yes," indicate the eligibility criteria explained in the FAP:</p> <p>a <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> %</p> <p>b <input type="checkbox"/> Income level other than FPG (describe in Section C)</p> <p>c <input checked="" type="checkbox"/> Asset level</p> <p>d <input checked="" type="checkbox"/> Medical indigency</p> <p>e <input checked="" type="checkbox"/> Insurance status</p> <p>f <input type="checkbox"/> Underinsurance status</p> <p>g <input type="checkbox"/> Residency</p> <p>h <input checked="" type="checkbox"/> Other (describe in Section C)</p>	X	
14 Explained the basis for calculating amounts charged to patients?	X	
15 Explained the method for applying for financial assistance?	X	
<p>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):</p> <p>a <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application</p> <p>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</p> <p>c <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</p> <p>d <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications</p> <p>e <input type="checkbox"/> Other (describe in Section C)</p>		
16 Was widely publicized within the community served by the hospital facility?	X	
<p>If "Yes," indicate how the hospital facility publicized the policy (check all that apply):</p> <p>a <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>See Part V, Page 8</u></p> <p>b <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>See Part V, Page 8</u></p> <p>c <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></p> <p>d <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)</p> <p>e <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)</p> <p>f <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)</p> <p>g <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</p> <p>h <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP</p> <p>i <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 Limited English Proficiency (LEP) populations</p> <p>j <input checked="" type="checkbox"/> Other (describe in Section C)</p>		

Part V Facility Information *(continued)*

Billing and Collections

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

	Yes	No
17 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment?	X	
18 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a <input type="checkbox"/> Reporting to credit agency(ies)		
b <input type="checkbox"/> Selling an individual's debt to another party		
c <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		
d <input type="checkbox"/> Actions that require a legal or judicial process		
e <input type="checkbox"/> Other similar actions (describe in Section C)		
f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		
19 Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?		X
If "Yes," check all actions in which the hospital facility or a third party engaged:		
a <input type="checkbox"/> Reporting to credit agency(ies)		
b <input type="checkbox"/> Selling an individual's debt to another party		
c <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		
d <input type="checkbox"/> Actions that require a legal or judicial process		
e <input type="checkbox"/> Other similar actions (describe in Section C)		
20 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):		
a <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 (if not, describe in Section C)		
b <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C)		
c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)		
d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)		
e <input checked="" type="checkbox"/> Other (describe in Section C)		
f <input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

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

Part V Facility Information *(continued)*

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

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

	Yes	No
22 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a <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 <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		
c <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		
d <input type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23 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?	23	X
If "Yes," explain in Section C.		
24 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?	24	X
If "Yes," explain in Section C.		

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, 20a, 20b, 20c, 20d, 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 Marshall:

Part V, Section B, Line 5: The Avera Marshall Regional Medical Center Community Health Needs Assessment (CHNA) was conducted in collaboration and partnership with community members, community organizations, stakeholders from local public health and internal stakeholders. These partners assisted in the development and analysis of assessment information through a series of data collection processes. In addition, Avera Marshall partnered with Southwest Health and Human Services (SWHHS) to provide a more comprehensive look into the social determinants of health and wellness in the communities we serve.

Avera Marshall:

Part V, Section B, Line 6b: Southwest Health and Human Services

Avera Marshall:

Part V, Section B, Line 11: The community health needs assessment was completed during the tax year and as such the hospital has not taken specific actions with respect to the current implementation strategy. The following community health areas were identified and the following actions will be taken by the hospital during future years.

Mental Health

* Increase the proportion of adults and children with mental health

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, 20a, 20b, 20c, 20d, 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.

disorders who receive treatment. Improve behavioral health (BH) access and quality care. Increase appropriate use of screening and prevention services.

* Increase awareness and reduce stigma around mental health issues and assist in disbursing local resource materials. Increase involvement with National Alliance on Mental Illness of Minnesota (NAMI).

* Tap into depression resources

* Provide employees with a depression screening tool

* Provide and enhance utilization of employee assistance program (EAP) resources

* Provide better adherence to medical care for those with behavioral health (BH) conditions measured by % of patients receiving BH screening and % of patients discharged with a BH referral.

* Continue to operate mental health services, including inpatient and outpatient psychiatric programs. Partner with mental health providers to offer education on stress management to our patients and the community.

* Further integrate mental health services into Primary Care. Monitor and improve collaborative opportunities between medical and behavioral health care.

* Position Avera Marshall Behavioral Health as a Center of Excellence for the practice of Dialectical Behavior Therapy (DBT) as a champion for the Zero Suicide initiative.

Obesity/Diabetes

* Continue to collaborate with partner agencies to assist community members in obtaining needed nutritional information.

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, 20a, 20b, 20c, 20d, 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.

* Explore potentialities in developing healthy eating and exercising programs to be promoted via affected communities' chambers of commerce and religious organizations.

* Promote Obesity screening and counseling

* Promote Healthy diet and physical activity

* Provide hospital classes with Nutrition Services and Dieticians to cook healthier

* Provide Weight loss Programs

* Provide Wellness Coaches

* Facility will provide meeting support

* Continue working on strategies related to overall BMI improvement

* Continue Education and screenings at health fairs and educational events

* Distribute information on community resources such as free meals and food pantries

* Support community support groups by providing meeting space, speakers, and educational topics

Tobacco and e-cigarette use and exposure

* Emphasize communication and education on the health risks associated with tobacco and e-cigarette use (vaping) and exposure.

* Initiate, promote and enforce smoking/vaping free policies on healthcare facilities grounds and promote asking partnering suppliers and onsite vendors to do the same.

* Continue current and expand hospital prevention classes

* Facility will provide Tobacco Cessation Programs and meeting support

* Employees will participate in community education to promote the

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, 20a, 20b, 20c, 20d, 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.

prevention of smoking

The following health needs/priorities will not be directly addressed by Avera Marshall due to capability to address by other community organizations:

- * Cardiovascular disease
- * Cancer
- * Aging issues

Many of these activities are continuations of activities the hospital has been conducting related to the prior community health needs assessment.

Avera Marshall:

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 Marshall:

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

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, 20a, 20b, 20c, 20d, 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 Marshall:

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 Marshall:

Part V, Section B, Line 24: The hospital financial assistance policy does not cover elective procedures. The hospital may have charged FAP eligible patients gross charges for services that are not covered under the financial assistance policy.

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

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

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

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

Part V, line 16a-c

The FAP, FAP Application, and Plain Language Summary are available at:

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, 20a, 20b, 20c, 20d, 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.

<https://www.avera.org/patients-visitors/charity-patient-assistance-programs/financial-assistance-forms/>

Multiple horizontal lines for text entry.

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? 9

Name and address	Type of Facility (describe)
1 Avera Morningside Heights Care Center 300 S. Bruce Street Marshall, MN 56258	nursing home
2 Avera Marshall S.W. Ophthalmology 300 S. Bruce Street Marshall, MN 56258	ophthalmology, optical
3 AMG Optometry Redwood Falls 500 E. Bridge Street Redwood Falls, MN 56283	optometry, ophthalmology, optical
4 AveraNow 900 E Main Street Marshall, MN 56258	convenience clinic
5 AMG Optometry Tracy 505 State Street Tracy, MN 56175	Optometry, ophthalmology, optical
6 AMG Optometry Springfield 602 N Jackson Ave Springfield, MN 56087	Optometry, ophthalmology, optical
7 Avera Medical Group Carlson 1521 Carlson Street Marshall, MN 56258	healthcare clinic
8 Avera Surgery Center Marshall 1521 Carlson Street Marshall, MN 56258	surgical care
9 Avera Therapy Marshall 1420 East College Drive Marshall, MN 56258	physical, speech, and occupational therapy

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 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 7:

Charity care was converted to cost using an overall cost-to-charge ratio addressing all patient segments. Unreimbursed Medicaid was calculated using the costing methods to prepare the cost report. Subsidized health services were calculated based on a combination of the Medicare cost report and actual expenses recorded to the general ledger. Community health improvement services, health professions education, and cash and in-kind contributions are reported based on actual expenses recorded to the general ledger.

Part I, Line 7g:

Provider based clinic costs are included in subsidized health services.

Part VI Supplemental Information (Continuation)

Revenues of \$1,337,127 and costs of \$2,565,891 were included for a net community benefit of \$1,228,764.

Part I, Ln 7 Col(f):

Bad debt expense of \$1,209,369 is included on Form 990, Part IX, line 25, column (A) but excluded for purposes of calculating this percentage.

Part II, Community Building Activities:

The organization provides education to community groups, has staff that serve on various committees/boards, pays the salaries of two police officers, provides leadership development and training for community members, and donates to various community organizations.

Part III, Line 2:

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

Bad debt expense on line 2 is reported at charges as presented on the financial statements.

Part III, Line 3:

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 III, Line 4:

Part VI Supplemental Information (Continuation)

The footnote to the organization's financial statements that describes bad debt expenses can be found on page 11 of the attached audited financial statements.

Part III, Line 8:

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

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

Part III, Line 9b:

If the patient qualifies for the organization's financial assistance policy for low-income, uninsured patients and is cooperating with the organization with regard to efforts to settle an outstanding bill within current self-pay collection policy guidelines and timeframes, the organization or its agent shall not send, nor intimate that it will send, the unpaid bill to any outside collection agency. Avera organizations will allow all individuals 120 days from the first post discharge statement to apply for financial assistance before sending the uncollected account to an outside collection agency. Avera will provide the patient with a statement or final notice that contains a listing of the specific collection action(s) it intends to initiate, and a deadline after which they may be initiated no earlier than 30 days before action is initiated.

Part VI Supplemental Information (Continuation)

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:

In addition to the CHNA, the organization also assesses the needs of the community by utilizing patient surveys, meeting with other organizations to determine needs of the community, and by having the professional medical staff meet/discuss patient needs based on their daily interactions.

Part VI, Line 3:

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

Part VI, Line 4:

Avera Marshall's service area includes Lyon County and surrounding counties in Minnesota. In 2018, the population for Lyon County was estimated to be 25,629. Approximately 15.8% of the population is age 65 or older. The average per capita income is \$30,531 and approximately 12.1% of individuals are below the federal poverty level. The nearest hospital in the area is approximately 22 miles from Avera Marshall.

Part VI Supplemental Information (Continuation)

Part VI, Line 5:

The organization's governing body is comprised of volunteer members who reside in the community. Medical staff privileges are extended to all qualified physicians in the community. Surplus funds are reinvested in facilities to improve patient care. Charity care is available for those with a diminished ability to pay. In addition, Avera Marshall is the sole provider for hospital inpatient care, the only physician staffed 24/7 ER, birthing center and full service surgery center. As a result of the mission statement, Avera Marshall provides numerous services which do not produce a profit. An example of this is psychiatric services provided by the facility. This is a subsidized health service. Avera Marshall also operates AveraNow to provide an alternative, low-cost convenience care for walk-in patients.

Avera Marshall is very involved in the community. Avera Marshall's leadership team is encouraged to participate in civic and community organizations. Avera Marshall staff also volunteers on a monthly basis to Esther's Kitchen (free meals provided at a local church) and Ruby's Pantry (monthly program providing fresh and frozen foods for a small payment). Avera Marshall offers classes such as childbirth and various other support groups. Planet Heart community screenings are provided with reduced imaging fees in addition to free vein screenings. Avera Marshall provides educational experiences for school-aged children, students needing work study experience and med student internships. Avera employees volunteer through programs such as Junior Achievement. Educational classes are held at the Marshall YMCA. Physicals for sports are given to students who have no means to pay but wish to participate in athletic activities at Marshall schools. Basic supply items are donated to school nurse providers for

Part VI Supplemental Information (Continuation)

triage care. Avera Marshall participates in community health events such as Community Connect which provides options on accessing health care resources. On an annual basis Avera Marshall provides scholarships for medical students. The Foundation, a department of Avera Marshall, focused on raising dollars for community health needs, such as assistance with mammograms through the Tough Enough to Wear Pink campaign, the baby hat and blanket fund and more. All fundraising activities go through Avera Health, a related organization. Avera Marshall also offers many opportunities for community members to volunteer. In partnership with Big Stone Therapies, Avera Marshall provides athletic trainers to many high schools throughout the Marshall region with no cost to the schools districts.

Part VI, Line 6:

Avera is a sponsored ministry of the Benedictine and Presentation Sisters. The communities in which Avera operates all have unique health and community benefit needs. In keeping with the Catholic Healthcare Association guidelines, each hospital strives to meet its community's identified needs. The corporate staff of Avera Health advocates for all members regarding community benefit related matters of state, regional and national importance.

**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.**

▶ **Go to www.irs.gov/Form990 for the latest information.**

OMB No. 1545-0047

2018

**Open to Public
Inspection**

Name of the organization

Avera Marshall

Employer identification number

41-0919153

Part I General Information on Grants and Assistance

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

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

Part II Grants and Other Assistance to 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

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

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

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

Schedule I (Form 990) (2018)

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
Medical Student Scholarships	6	25,000.	0.		

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:

The Organization provides scholarships to medical students. The Organization monitors the use of the scholarships through a recruiter who maintains contact with the students and monitors receipt of the scholarship by the learning institution.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
 ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.
 ▶ Attach to Form 990.
 ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2018

Open to Public Inspection

Name of the organization

Avera Marshall

Employer identification number

41-0919153

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed 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
1b		
2		
4a		X
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

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

Schedule J (Form 990) 2018

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

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

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

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Curtis Louwagie, MD Director/Ophthalmologist	(i)	656,826.	210,000.	2,012.	13,750.	31,370.	913,958.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) Mary B. Maertens President & CEO	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	340,581.	900.	76,885.	13,750.	30,254.	462,370.	0.
(3) Jim Breckenridge CFO Avera Health; Sec/Treas	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	693,359.	1,720.	223,780.	13,750.	20,836.	953,445.	0.
(4) Doris Derynck VP Clinical Operations/CNO	(i)	162,117.	900.	1,499.	8,544.	23,775.	196,835.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(5) Vikram Chatrath, MD Orthopedics & Surgery	(i)	785,601.	206,727.	32,621.	13,750.	35,107.	1,073,806.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) Alain Desy, MD Orthopedics & Surgery	(i)	623,953.	15,100.	44,961.	13,750.	29,707.	727,471.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) Edwarde Wolske, MD ER Physician	(i)	383,124.	92,872.	1,627.	13,750.	29,997.	521,370.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) Trent Carlson General Surgery	(i)	433,739.	32,000.	33,173.	13,750.	20,771.	533,433.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(9) Timothy Mok Family Practice Physician	(i)	327,715.	104,975.	17,653.	13,750.	29,997.	494,090.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(10) Sharon Williams/Former Sec/Treas & VP Finance	(i)	133,956.	0.	1,223.	7,020.	18,487.	160,686.	0.
	(ii)	40,106.	1,020.	376.	2,161.	6,111.	49,774.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Schedule J, Part I, Line 3:

The President/CEO is compensated by Avera Health. Avera Marshall relied on the related organization for determining the compensation for the President/CEO using the methods described in Part I, Line 3.

SCHEDULE 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.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2018

Open to Public
Inspection

Name of the organization

Avera Marshall

Employer identification number

41-0919153

Form 990, Part I, Doing Business As:

Avera Marshall Regional Medical Center

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

14 swing-bed days, 933 newborn patient days, 98,668 clinic visits, and
26,970 nursing home resident days. Following is a breakdown of these
statistics by facility:

Avera Marshall Hospital

1,535 Acute patient discharges

891 Newborn patient discharges

9 Swing bed patient discharges

71,580 Outpatient visits

14 Swing-bed patient days

933 Newborn patient days

98,668 Clinic visits

Avera Morningside Heights Care Center

26,970 Long-term resident days

106 Long Term Care patient discharges

Avera Marshall maintains records to identify and monitor the level of
charity care it provides. These records include the amount of charges
forgone for services and supplies furnished under its charity care
policy and equivalent service statistics. The amount of charges
foregone, based on established rates, were \$1,066,905.

Avera Marshall also provides community benefit health activities at
less than or at no cost to support those in the area serviced, see

Schedule H.

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

Schedule O (Form 990 or 990-EZ) (2018)

Name of the organization

Avera Marshall

Employer identification number

41-0919153

As a member of the Avera Health Network, Avera Marshall upholds the vision of the Presentation and Benedictine Sisters to work through collaboration to provide quality, effective health ministry and to improve the healthcare of individuals and our communities through a regionally integrated network of persons and institutions. Avera Marshall engages in activities 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 1:

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

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

Jim Breckenridge and Mary Maertens have a business relationship.

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:

Name of the organization Avera Marshall	Employer identification number 41-0919153
--	--

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 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

Name of the organization Avera Marshall	Employer identification number 41-0919153
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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 members;

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 B, line 11b:

The Form 990 is reviewed by the Avera Health VP of Financial Reporting, Tax Manager, Facility CEO and Finance Committee (if applicable). After initial review the Form 990 is made available to the Board and other Operation Finance Leaders.

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

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

Name of the organization

Avera Marshall

Employer identification number

41-0919153

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 and CFO-Avera Health are 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. Depending on the individual's role with the organization, some officers are compensated by Avera Marshall.

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

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

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

Repairs and Maintenance:

Program service expenses	2,512,402.
Management and general expenses	143,555.
Fundraising expenses	0.
Total expenses	2,655,957.

Purchased Services:

Name of the organization Avera Marshall	Employer identification number 41-0919153
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Program service expenses	4,946,683.
Management and general expenses	627,502.
Fundraising expenses	0.
Total expenses	5,574,185.

ACS Fees:

Program service expenses	2,156,676.
Management and general expenses	5,345,580.
Fundraising expenses	0.
Total expenses	7,502,256.
Total Other Fees on Form 990, Part IX, line 11g, Col A	15,732,398.

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

Equity transfer to related parties	-402,965.
Other change in net assets held by Avera Health Foundation	742,911.
Total to Form 990, Part XI, Line 9	339,946.

Form 990, Part XII, Line 2c:

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

Form 990, Part VI, Line 16b:

There is no written policy or procedure in the event of any such proposed transaction. The board or a committee with delegated authority reviews all materials, valuations and operational aspects for any proposed transaction. Such transaction would be evaluated in accordance

Name of the organization Avera Marshall	Employer identification number 41-0919153
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with the exempt status of the organization and its applicable purposes.

Any transaction also would be approved by the board and the member.

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 Sacred Heart, Avera Marshall, Avera St. Mary's, Avera St. Anthony's, Avera St. Benedict, Avera Holy Family, Avera Tyler, Avera Gettysburg, and Avera at Home. In accordance with IRS instructions, information related to the tax exempt bond reporting is being reported on Avera Health's tax return (EIN 46-0422673.)

**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.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2018

**Open to Public
Inspection**

Name of the organization **Avera Marshall** Employer identification number **41-0919153**

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 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 N 8th Street Estherville, IA 51334	Healthcare Services	Iowa	501(c)(3)	Line 3	Avera Health		X
Avera Holy Family Foundation - 42-1317452 826 N 8th Street Estherville, IA 51334	Support of Health Related Services	Iowa	501(c)(3)	Line 10	Avera Holy Family		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

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

Schedule R (Form 990) 2018

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
St. Benedict Health Center Foundation - 46-0226738, West Glynn Drive PO Box B, Parkston, SD 57366	Support of 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 Gettysburg - 46-0234354 606 East Garfield Gettysburg, SD 57442	Healthcare Services	South Dakota	501(c)(3)	Line 3	Avera St. Mary's		X
Avera at Home - 46-0399291 5116 S Solberg Av 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 St. Luke's - 46-0224598 305 South State Street Aberdeen, SD 57401	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 Health - 46-0422673 3900 West Avera Drive Suite 300 Sioux Falls, SD 57108	Healthcare Services	South Dakota	501(c)(3)	Line 10	N/A		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	
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
Q & M Properties - 73-1652049 525 North Foster Mitchell, SD 57301	Medical Clinic Building	SD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Surgical Associates Endoscopy Clinic, LLC - 46-0461429, 310 S Pennsylvania, Aberdeen, SD 57401	Surgical Associates	SD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

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

(a) 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 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 III Continuation of Identification of Related Organizations Taxable as a Partnership

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportion- ate 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	
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
Heart Hospital of South Dakota, LLC - 56-2143771, 4500 W 69th Street, Sioux Falls, SD 57108	Healthcare Services	SD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
Brookings Health System - Avera HME, LLC - 45-3204123, 101 22nd Ave, Suite 101, Brookings, SD 57006	Medical services - Home Medical Equipment	SD	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
National Rural ACO 4 LLC dba Prairie Hills Organization - 37-1780735, 7509 NW Tiffany Springs Parkway, Kansas City, National Rural ACO 5 LLC dba Great Plains Care Organization - 38-3958290, 7509 NW Tiffany Springs	Accountable Care Organization	KS	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
	Accountable Care Organization	KS	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

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

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

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

	Yes	No
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity	X	
b Gift, grant, or capital contribution to related organization(s)	X	
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)	X	
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)	X	
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)	X	
j Lease of facilities, equipment, or other assets to related organization(s)	X	
k Lease of facilities, equipment, or other assets from related organization(s)	X	
l Performance of services or membership or fundraising solicitations for related organization(s)	X	
m Performance of services or membership or fundraising solicitations by related organization(s)	X	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	X	
o Sharing of paid employees with related organization(s)	X	
p Reimbursement paid to related organization(s) for expenses	X	
q Reimbursement paid by related organization(s) for expenses	X	
r Other transfer of cash or property to related organization(s)	X	
s 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) Avera Tyler	S	800,446.	General Ledger
(2) Avera Tyler	O	1,897,134.	General Ledger
(3)			
(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:

National Rural ACO 4 LLC dba Prairie Hills Organization

EIN: 37-1780735

7509 NW Tiffany Springs Parkway

Kansas City, MO 64153

Name, Address, and EIN of Related Organization:

National Rural ACO 5 LLC dba Great Plains Care Organization

EIN: 38-3958290

7509 NW Tiffany Springs Parkway

Kansas City, MO 64153

**Estimated Tax on Unrelated Business Taxable
Income for Tax-Exempt Organizations**

(and on Investment Income for Private Foundations) Form 990-T

2019

Department of the Treasury
Internal Revenue Service

▶ Go to www.irs.gov/Form990W for instructions and the latest information.
▶ Keep for your records. Do not send to the Internal Revenue Service.

1	Unrelated business taxable income expected in the tax year	1	
2	Tax on the amount on line 1. See instructions for tax computation	2	
3	Alternative minimum tax for trusts. See instructions	3	
4	Total. Add lines 2 and 3	4	
5	Estimated tax credits. See instructions	5	
6	Subtract line 5 from line 4	6	
7	Other taxes. See instructions	7	
8	Total. Add lines 6 and 7	8	
9	Credit for federal tax paid on fuels. See instructions	9	
10a	Subtract line 9 from line 8. Note: If less than \$500, the organization is not required to make estimated tax payments. Private foundations, see instructions	10a	
b	Enter the tax shown on the 2018 return. See instructions. Caution: If zero or the tax year was for less than 12 months, skip this line and enter the amount from line 10a on line 10c	10b	6,445.
c	2019 Estimated Tax. Enter the smaller of line 10a or line 10b. If the organization is required to skip line 10b, enter the amount from line 10a on line 10c	Adjusted To	6,480.

		(a)	(b)	(c)	(d)
11	Installment due dates. See instructions	11		03/16/20	06/15/20
12	Required installments. Enter 25% of line 10c in columns (a) through (d). But see instructions if the organization uses the annualized income installment method, the adjusted seasonal installment method, or is a "large organization."	12		4,860.	1,620.
13	2018 Overpayment. See instructions	13			
14	Payment due (Subtract line 13 from line 12)	14			

LHA For Paperwork Reduction Act Notice, see instructions.

Form **990-W** (2019)

Estimated Tax	6,480.
Overpayment Applied	9,849.
Amount Due	0.

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

2018

For calendar year 2018 or other tax year beginning JUL 1, 2018, and ending JUN 30, 2019

▶ Go to www.irs.gov/Form990T for instructions and the latest information.

▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Department of the Treasury
Internal Revenue Service

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

A <input type="checkbox"/> Check box if address changed B Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)	Print or Type	Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.) Avera Marshall Number, street, and room or suite no. If a P.O. box, see instructions. 300 S. Bruce Street City or town, state or province, country, and ZIP or foreign postal code Marshall, MN 56258-1934	D Employer identification number (Employees' trust, see instructions.) 41-0919153 E Unrelated business activity code (See instructions.) 811000
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C Book value of all assets at end of year 107,934,459.	F Group exemption number (See instructions.) ▶ G 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 Enter the number of the organization's unrelated trades or businesses. ▶ 1 Describe the only (or first) unrelated trade or business here ▶ Lab. If only one, complete Parts I-V. If more than one, describe the first in the blank space at the end of the previous sentence, complete Parts I and II, complete a Schedule M for each additional trade or business, then complete Parts III-V.

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. ▶

J The books are in care of ▶ Jamie Schaefer Telephone number ▶ 605-322-3992

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1 a	Gross receipts or sales <u>48,436.</u>			
b	Less returns and allowances			
		c Balance ▶		
2	Cost of goods sold (Schedule A, line 7)			
3	Gross profit. Subtract line 2 from line 1c	48,436.		48,436.
4 a	Capital gain net income (attach Schedule D)			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)			
c	Capital loss deduction for trusts			
5	Income (loss) from a partnership or an S corporation (attach statement)			
6	Rent income (Schedule C)			
7	Unrelated debt-financed income (Schedule E)			
8	Interest, annuities, royalties, and rents from a controlled organization (Schedule F)			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)			
10	Exploited exempt activity income (Schedule I)			
11	Advertising income (Schedule J)			
12	Other income (See instructions; attach schedule)			
13	Total. Combine lines 3 through 12	48,436.		48,436.

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.)

14	Compensation of officers, directors, and trustees (Schedule K)		14	
15	Salaries and wages		15	
16	Repairs and maintenance		16	
17	Bad debts		17	
18	Interest (attach schedule) (see instructions)		18	
19	Taxes and licenses		19	3,106.
20	Charitable contributions (See instructions for limitation rules)		20	
21	Depreciation (attach Form 4562)	21		
22	Less depreciation claimed on Schedule A and elsewhere on return	22a	22b	
23	Depletion		23	
24	Contributions to deferred compensation plans		24	
25	Employee benefit programs		25	
26	Excess exempt expenses (Schedule I)		26	
27	Excess readership costs (Schedule J)		27	
28	Other deductions (attach schedule)	See Statement 2	28	13,641.
29	Total deductions. Add lines 14 through 28		29	16,747.
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13		30	31,689.
31	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions)		31	
32	Unrelated business taxable income. Subtract line 31 from line 30		32	31,689.

Part III Total Unrelated Business Taxable Income

33	Total of unrelated business taxable income computed from all unrelated trades or businesses (see instructions)	33	31,689.
34	Amounts paid for disallowed fringes	34	
35	Deduction for net operating loss arising in tax years beginning before January 1, 2018 (see instructions)	35	
36	Total of unrelated business taxable income before specific deduction. Subtract line 35 from the sum of lines 33 and 34	36	31,689.
37	Specific deduction (Generally \$1,000, but see line 37 instructions for exceptions)	37	1,000.
38	Unrelated business taxable income. Subtract line 37 from line 36. If line 37 is greater than line 36, enter the smaller of zero or line 36	38	30,689.

Part IV Tax Computation

39	Organizations Taxable as Corporations. Multiply line 38 by 21% (0.21)	39	6,445.
40	Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 38 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041)	40	
41	Proxy tax. See instructions	41	
42	Alternative minimum tax (trusts only)	42	
43	Tax on Noncompliant Facility Income. See instructions	43	
44	Total. Add lines 41, 42, and 43 to line 39 or 40, whichever applies	44	6,445.

Part V Tax and Payments

45a	Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	45a	
b	Other credits (see instructions)	45b	
c	General business credit. Attach Form 3800	45c	
d	Credit for prior year minimum tax (attach Form 8801 or 8827)	45d	
e	Total credits. Add lines 45a through 45d	45e	
46	Subtract line 45e from line 44	46	6,445.
47	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)	47	
48	Total tax. Add lines 46 and 47 (see instructions)	48	6,445.
49	2018 net 965 tax liability paid from Form 965-A or Form 965-B, Part II, column (k), line 2	49	0.
50a	Payments: A 2017 overpayment credited to 2018	50a	2,345.
b	2018 estimated tax payments	50b	11,000.
c	Tax deposited with Form 8868	50c	3,000.
d	Foreign organizations: Tax paid or withheld at source (see instructions)	50d	
e	Backup withholding (see instructions)	50e	
f	Credit for small employer health insurance premiums (attach Form 8941)	50f	
g	Other credits, adjustments, and payments: <input type="checkbox"/> Form 2439 <input type="checkbox"/> Form 4136 <input type="checkbox"/> Other Total	50g	
51	Total payments. Add lines 50a through 50g	51	16,345.
52	Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	52	51.
53	Tax due. If line 51 is less than the total of lines 48, 49, and 52, enter amount owed	53	
54	Overpayment. If line 51 is larger than the total of lines 48, 49, and 52, enter amount overpaid	54	9,849.
55	Enter the amount of line 54 you want: Credited to 2019 estimated tax 9,849. Refunded	55	0.

Part VI Statements Regarding Certain Activities and Other Information (see instructions)

56	At any time during the 2018 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	Yes	No
57	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.		X
58	Enter the amount of tax-exempt interest received or accrued during the tax year \$		

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.

Sign Here
 Signature of officer: _____ Date: _____ Title: **CFO Avera Health**
 May the IRS discuss this return with the preparer shown below (see instructions)? **Yes** **No**

Paid Preparer Use Only
 Print/Type preparer's name: **Kim Hunwardsen, CPA**
 Preparer's signature: **Kim Hunwardsen, CPA**
 Date: **05/12/20**
 Check if self-employed
 PTIN: **P00484560**
 Firm's name: **Eide Bailly LLP**
 Firm's EIN: **45-0250958**
 Firm's address: **800 Nicollet Mall, Ste. 1300 Minneapolis, MN 55402-7033**
 Phone no.: **612-253-6500**

Schedule A - Cost of Goods Sold. Enter method of inventory valuation ► **N/A**

1	Inventory at beginning of year	1		6	Inventory at end of year	6	
2	Purchases	2		7	Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7	
3	Cost of labor	3		8	Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?		Yes No
4a	Additional section 263A costs (attach schedule)	4a					
b	Other costs (attach schedule)	4b					
5	Total. Add lines 1 through 4b	5					

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.

(c) **Total income.** Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A)

(b) **Total deductions.** 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)		%		
Totals			Enter here and on page 1, Part I, line 7, column (A). 0.	Enter here and on page 1, Part I, line 7, column (B). 0.
Total dividends-received deductions 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)				
Totals			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). 0.	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B). 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)				
Totals		Enter here and on page 1, Part I, line 9, column (A). 0.		Enter here and on page 1, Part I, line 9, column (B). 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)						
Totals		Enter here and on page 1, Part I, line 10, col. (A). 0.	Enter here and on page 1, Part I, line 10, col. (B). 0.			Enter here and on page 1, Part II, line 26. 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)						
Totals (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)						
Totals from Part I	0.	0.				0.
Totals, Part II (lines 1-5)	Enter here and on page 1, Part I, line 11, col. (A). 0.	Enter here and on page 1, Part I, line 11, col. (B). 0.				Enter here and on page 1, Part II, line 27. 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)		%	
Total. Enter here and on page 1, Part II, line 14			0.

Footnotes

Statement 1

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
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<u>Description</u>	<u>Amount</u>
Clinic Lab	13,641.
Total to Form 990-T, Page 1, line 28	13,641.

**SCHEDULE O
(Form 1120)**

(Rev. December 2018)
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.**
▶ **Go to www.irs.gov/Form1120 for instructions and the latest information.**

OMB No. 1545-0123

Name Avera Marshall	Employer identification number 41-0919153
-------------------------------	---

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 DECEMBER 31, 2018, 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 _____, 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 If the corporation has a short tax year that does not include December 31, check the box. See instructions.

Part II Apportionment (See instructions)

	(a) Group member's name and employer identification number	(b) Tax year end (Yr-Mo)	Apportionment		
			(c) Accumulated earnings credit	(d) Penalty for failure to pay estimated tax	(e) Other
1	Avera Marshall	41-0919153	19-06		
2	Avera Health Plans	46-0451539	18-12		
3	Valley Health Services	46-0357149	19-06	25,000.	
4	Avera Property Insurance	46-0463155	18-12	25,000.	
5	Avera St. Luke's	46-0224589	19-06		
6	Avera Health	46-0422673	19-06	50,000.	500,000.
7	Alucent Medical, Inc.	47-1818349	18-12		
8	Avera at Home	46-0399291	19-06		
9	Avera McKennan	46-0224743	19-06	50,000.	500,000.
10	South Dakota State Medical Holding co	46-0401087	18-12		
Total				150,000.	1,000,000.

Schedule O (Form 1120) (Rev. 12-2018)

Part II Apportionment (See instructions)

(a) Group member's name and employer identification number		(b) Tax year end (Yr-Mo)	Apportionment		
			(c) Accumulated earnings credit	(d) Penalty for failure to pay estimated tax	(e) Other
1	Avera Queen of Peace	46-0224604	19-06		
2	Avera St. Mary's	46-0230199	19-06		
3					
4					
5					
6					
7					
8					
9					
10					
Total					

Schedule O (Form 1120) (Rev. 12-2018)

Underpayment of Estimated Tax by Corporations

Department of the Treasury
Internal Revenue Service

▶ Attach to the corporation's tax return. **Form 990-T**

▶ Go to www.irs.gov/Form2220 for instructions and the latest information.

2018

Name Avera Marshall	Employer identification number 41-0919153
-------------------------------	---

Note: Generally, the corporation is not required to file Form 2220 (see Part II below for exceptions) because the IRS will figure any penalty owed and bill the corporation. However, the corporation may still use Form 2220 to figure the penalty. If so, enter the amount from page 2, line 38, on the estimated tax penalty line of the corporation's income tax return, but **do not** attach Form 2220.

Part I Required Annual Payment			
1 Total tax (see instructions)		1	6,445.
2 a Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 1	2a		
b Look-back interest included on line 1 under section 460(b)(2) for completed long-term contracts or section 167(g) for depreciation under the income forecast method	2b		
c Credit for federal tax paid on fuels (see instructions)	2c		
d Total. Add lines 2a through 2c		2d	
3 Subtract line 2d from line 1. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty		3	6,445.
4 Enter the tax shown on the corporation's 2017 income tax return. See instructions. Caution: If the tax is zero or the tax year was for less than 12 months, skip this line and enter the amount from line 3 on line 5		4	12,976.
5 Required annual payment. Enter the smaller of line 3 or line 4. If the corporation is required to skip line 4, enter the amount from line 3		5	6,445.

Part II Reasons for Filing - Check the boxes below that apply. If any boxes are checked, the corporation **must** file Form 2220 even if it does not owe a penalty. See instructions.

6 The corporation is using the adjusted seasonal installment method.

7 The corporation is using the annualized income installment method.

8 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

Part III Figuring the Underpayment					
		(a)	(b)	(c)	(d)
9 Installment due dates. Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 9th, and 12th months of the corporation's tax year	9	10/15/18	12/15/18	03/15/19	06/15/19
10 Required installments. If the box on line 6 and/or line 7 above is checked, enter the amounts from Sch A, line 38. If the box on line 8 (but not 6 or 7) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% (0.25) of line 5 above in each column	10	1,611.	1,612.	1,611.	1,611.
11 Estimated tax paid or credited for each period. For column (a) only, enter the amount from line 11 on line 15. See instructions	11	2,345.			11,000.
Complete lines 12 through 18 of one column before going to the next column.					
12 Enter amount, if any, from line 18 of the preceding column	12		734.		
13 Add lines 11 and 12	13		734.		11,000.
14 Add amounts on lines 16 and 17 of the preceding column	14			878.	2,489.
15 Subtract line 14 from line 13. If zero or less, enter -0-	15	2,345.	734.	0.	8,511.
16 If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-	16		0.	878.	
17 Underpayment. If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18	17		878.	1,611.	
18 Overpayment. If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next column	18	734.			

Go to Part IV on page 2 to figure the penalty. Do not go to Part IV if there are no entries on line 17 - no penalty is owed.

LHA For Paperwork Reduction Act Notice, see separate instructions. Form 2220 (2018)

Part IV Figuring the Penalty

	(a)	(b)	(c)	(d)
19 Enter the date of payment or the 15th day of the 4th month after the close of the tax year, whichever is earlier. (C corporations with tax years ending June 30 and S corporations: Use 3rd month instead of 4th month. Form 990-PF and Form 990-T filers: Use 5th month instead of 4th month.) See instructions	19			
20 Number of days from due date of installment on line 9 to the date shown on line 19	20			
21 Number of days on line 20 after 4/15/2018 and before 7/1/2018	21			
22 Underpayment on line 17 x $\frac{\text{Number of days on line 21} \times 5\% (0.05)}{365}$	22	\$	\$	\$
23 Number of days on line 20 after 06/30/2018 and before 10/1/2018	23			
24 Underpayment on line 17 x $\frac{\text{Number of days on line 23} \times 5\% (0.05)}{365}$	24	\$	\$	\$
25 Number of days on line 20 after 9/30/2018 and before 1/1/2019	25			
26 Underpayment on line 17 x $\frac{\text{Number of days on line 25} \times 5\% (0.05)}{365}$	26	\$	\$	\$
27 Number of days on line 20 after 12/31/2018 and before 4/1/2019	27	See Attached Worksheet		
28 Underpayment on line 17 x $\frac{\text{Number of days on line 27} \times 6\% (0.06)}{365}$	28	\$	\$	\$
29 Number of days on line 20 after 3/31/2019 and before 7/1/2019	29			
30 Underpayment on line 17 x $\frac{\text{Number of days on line 29} \times \%}{365}$	30	\$	\$	\$
31 Number of days on line 20 after 6/30/2019 and before 10/1/2019	31			
32 Underpayment on line 17 x $\frac{\text{Number of days on line 31} \times \%}{365}$	32	\$	\$	\$
33 Number of days on line 20 after 9/30/2019 and before 1/1/2020	33			
34 Underpayment on line 17 x $\frac{\text{Number of days on line 33} \times \%}{365}$	34	\$	\$	\$
35 Number of days on line 20 after 12/31/2019 and before 3/16/2020	35			
36 Underpayment on line 17 x $\frac{\text{Number of days on line 35} \times \%}{366}$	36	\$	\$	\$
37 Add lines 22, 24, 26, 28, 30, 32, 34, and 36	37	\$	\$	\$
38 Penalty. Add columns (a) through (d) of line 37. Enter the total here and on Form 1120, line 34; or the comparable line for other income tax returns	38			\$ 51.

* Use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at www.irs.gov. You can also call 1-800-829-4933 to get interest rate information.

Form 990-T
UNDERPAYMENT OF ESTIMATED TAX WORKSHEET

Name(s) Avera Marshall					Identifying Number 41-0919153
(A) *Date	(B) Amount	(C) Adjusted Balance Due	(D) Number Days Balance Due	(E) Daily Penalty Rate	(F) Penalty
		-0-			
10/15/18	1,611.	1,611.			
10/15/18	-2,345.	-734.			
12/15/18	1,612.	878.	16	.000136986	2.
12/31/18	0.	878.	74	.000164384	11.
03/15/19	1,611.	2,489.	92	.000164384	38.
06/15/19	1,611.	4,100.			
06/15/19	-11,000.	-6,900.			
06/30/19	0.	-6,900.	138	.000136986	

Penalty Due (Sum of Column F). **51.**

* Date of estimated tax payment, withholding credit date or installment due date.

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.**
▶ **Go to www.irs.gov/Form8868 for the latest information.**

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/e-file-providers/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	
Type or print	Name of exempt organization or other filer, see instructions. Avera Marshall	Employer identification number (EIN) or 41-0919153
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. 300 S. Bruce Street	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Marshall, MN 56258-1934	

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

Jamie Schaefer

- The books are in the care of ▶ **3900 W. Avera Dr., Ste 300 - Sioux Falls, SD 57108**
Telephone No. ▶ **605-322-3992** 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, 2020, 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, 2018, and ending JUN 30, 2019.

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

3a 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.	3a	\$	0.
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.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	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.

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.**
▶ **Go to www.irs.gov/Form8868 for the latest information.**

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/e-file-providers/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	
Type or print	Name of exempt organization or other filer, see instructions. Avera Marshall	Employer identification number (EIN) or 41-0919153
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. 300 S. Bruce Street	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Marshall, MN 56258-1934	

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
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Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
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Jamie Schaefer

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Telephone No. ▶ **605-322-3992** 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, 2020, 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, 2018, and ending JUN 30, 2019.

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

3a 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.	3a	\$	16,345.
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.	3b	\$	13,345.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	3,000.

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.

Electronic Filing PDF Attachment



Consolidated Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018, 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Avera Health as of June 30, 2019 and 2018, 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 50 through 55 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 consolidated financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
October 18, 2019

Avera Health
Consolidated Balance Sheets
June 30, 2019 and 2018
(In Thousands)

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 78,753	\$ 147,385
Assets limited as to use		
Under indenture and contractual agreements	59,329	90,338
Designated reserves	42,013	29,358
Receivables		
Patients and residents	231,616	225,965
Other	77,568	59,473
Supplies	48,676	44,248
Prepaid expenses and other	28,518	27,718
Total current assets	566,473	624,485
Assets Limited as to Use		
Under indenture and contractual agreements	23,285	54,950
Designated reserves	1,040,150	976,925
Total noncurrent assets limited as to use	1,063,435	1,031,875
Property and Equipment, Net	1,042,374	920,205
Other Assets		
Custodial funds held for uncontrolled affiliates	45,165	38,673
Investments in affiliated organizations	18,564	19,052
Goodwill	102,314	99,309
Intangible assets, net	6,688	8,110
Noncurrent receivables	17,004	18,027
Deferred compensation	62,781	55,220
Other	5,399	4,706
Total other assets	257,915	243,097
Total Assets	\$ 2,930,197	\$ 2,819,662

Avera Health
Consolidated Balance Sheets
June 30, 2019 and 2018
(In Thousands)

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 19,436	\$ 16,881
Accounts payable	76,420	81,155
Accrued salaries, benefits and withholdings	110,249	101,155
Interest payable	8,714	8,586
Estimated insurance claims payable	42,259	32,922
Estimated third-party payor settlements	11,693	10,511
Other	20,310	29,183
	289,081	280,393
Total current liabilities		
Noncurrent Liabilities		
Long-term debt, less unamortized premiums, discounts, and debt issuance costs	685,050	654,738
Custodial funds held for uncontrolled affiliates	45,165	38,673
Estimated insurance claims payable - noncurrent	11,924	16,185
Derivative liability	10,094	8,152
Deferred compensation	62,781	55,220
Other	8,016	12,008
	823,030	784,976
Total noncurrent liabilities		
Total liabilities	1,112,111	1,065,369
Net Assets		
Without donor restrictions		
Undesignated	1,748,719	1,684,219
Noncontrolling interest	14,005	14,338
	1,762,724	1,698,557
Total without donor restrictions		
With donor restrictions	55,362	55,736
	1,818,086	1,754,293
Total net assets		
Total Liabilities and Net Assets	\$ 2,930,197	\$ 2,819,662

Avera Health
Consolidated Statements of Operations
Years Ended June 30, 2019 and 2018
(In Thousands)

	2019	2018
Revenues, Gains, and Other Support without Donor Restrictions		
Patient and resident service revenue	\$ 1,795,378	\$ 1,714,203
Premium revenue	290,786	295,581
Other revenue	199,596	154,599
	2,285,760	2,164,383
Expenses		
Salaries, wages, and benefits	1,235,511	1,141,384
Supplies	396,817	364,528
Other	344,993	319,309
Claims expense	144,653	155,363
Interest	20,991	19,412
Depreciation and amortization	99,210	98,926
	2,242,175	2,098,922
Operating Income	43,585	65,461
Other Income (Expense)		
Investment income - realized	28,749	36,171
Investment income - unrealized	4,001	11,599
Loss on advance refunding of bonds	-	(2,029)
Other nonoperating, net	(10,077)	(13,573)
Change in fair value of interest rate swaps not designated as hedges	(1,980)	3,044
Reclassification of accumulated losses on interest rate swaps	(436)	(380)
	20,257	34,832
Revenues in Excess of Expenses	63,842	100,293
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(6,405)	(5,972)
Reclassification of accumulated losses on interest rate swap	436	380
Grants and contributions restricted for capital purposes	994	1,146
Net assets released from restrictions for purchases of property and equipment	5,551	3,135
Other changes in net assets	(251)	(1,218)
	64,167	97,764
Change in Net Assets without Donor Restrictions	\$ 64,167	\$ 97,764

Avera Health
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2019 and 2018
(In Thousands)

	<u>2019</u>	<u>2018</u>
Net Assets without Donor Restrictions		
Revenues in excess of expenses	\$ 63,842	\$ 100,293
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(6,405)	(5,972)
Reclassification of accumulated losses on interest rate swap	436	380
Grants and contributions restricted for capital purposes	994	1,146
Net assets released from restrictions for purchases of property and equipment	5,551	3,135
Other changes in net assets	<u>(251)</u>	<u>(1,218)</u>
Change in net assets without donor restrictions	<u>64,167</u>	<u>97,764</u>
Net Assets with Donor Restrictions		
Contributions	8,510	15,523
Contributions for endowment funds	775	604
Investment income	1,652	2,513
Net assets released from restrictions	<u>(11,311)</u>	<u>(9,254)</u>
Change in net assets with donor restrictions	<u>(374)</u>	<u>9,386</u>
Change in Net Assets	63,793	107,150
Net Assets, Beginning of Year	<u>1,754,293</u>	<u>1,647,143</u>
Net Assets, End of Year	<u>\$ 1,818,086</u>	<u>\$ 1,754,293</u>

Avera Health
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018
(In Thousands)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 63,793	\$ 107,150
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	(20,015)	(44,582)
Change in fair value of interest rate swaps	1,942	(3,257)
Gain on disposal of property and equipment, net	(2,275)	(8)
Depreciation and amortization	102,728	101,248
Losses on equity method investments	5,389	5,369
Restricted grants and contributions	(10,279)	(17,273)
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	6,405	5,972
Loss on advanced refunding of bonds	-	2,029
Other non-cash changes	(4,476)	(4,275)
Change in assets and liabilities		
Receivables	(7,132)	(30,130)
Supplies	(4,238)	(3,166)
Prepaid expenses and other assets	(989)	786
Accounts payable	825	7,048
Estimated third-party payor settlements	1,182	(3,788)
Accrued expenses	13,315	5,349
Other current liabilities	(8,863)	(321)
Net Cash from Operating Activities	<u>137,312</u>	<u>128,151</u>
Investing Activities		
Purchases of investments	(746,323)	(400,807)
Proceeds from sales and maturities of investments	746,688	249,460
Purchase of property and equipment	(208,558)	(145,698)
Investment in affiliated organizations	(4,101)	(5,118)
Distributions from affiliated organizations	502	-
Cash paid in business acquisitions, net of cash acquired	(6,775)	(1,364)
Increase in other assets	(425)	(4,842)
Proceeds from disposal of equipment	3,010	764
Net Cash used for Investing Activities	<u>(215,982)</u>	<u>(307,605)</u>

Avera Health
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018
(In Thousands)

	2019	2018
Financing Activities		
Proceeds from issuance of long-term debt	\$ 35,866	\$ 253,732
Principal payments on long-term debt	(19,640)	(15,512)
Change in other noncurrent liabilities	(9,938)	8,889
Payment of debt issuance costs	-	(1,912)
Cash paid for advance refunding of bonds	-	(51,862)
Distributions to noncontrolling interests	(6,405)	(5,972)
Change in other noncurrent receivables	(124)	(234)
Restricted contributions	10,279	17,273
	<u>10,038</u>	<u>204,402</u>
Net Cash from Financing Activities	<u>10,038</u>	<u>204,402</u>
Net Change in Cash and Cash Equivalents	(68,632)	24,948
Cash and Cash Equivalents, Beginning of Year	<u>147,385</u>	<u>122,437</u>
Cash and Cash Equivalents, End of Year	<u>\$ 78,753</u>	<u>\$ 147,385</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of amounts capitalized of \$4,695 in 2019 and \$3,199 in 2018	<u>\$ 21,833</u>	<u>\$ 17,029</u>
Business acquisitions		
Other assets	\$ 189	\$ 21
Property and equipment, net	3,750	50
Goodwill	3,005	849
Intangible assets	295	444
Current liabilities	(464)	-
	<u>6,775</u>	<u>1,364</u>
Net cash paid	<u>\$ 6,775</u>	<u>\$ 1,364</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Accounts payable for purchase of property and equipment	<u>\$ 13,032</u>	<u>\$ 21,165</u>
Property and equipment acquired under capital lease	<u>\$ 17,641</u>	<u>\$ -</u>

Note 1 - Organization and Significant Accounting Policies

Organization

Avera Health (the 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.

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, clinical, and telemedicine 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 net assets without donor restrictions represent approximately 96% and 97% of the consolidated net assets without donor restrictions of Avera Health as of June 30, 2019 and 2018.

Principles of Consolidation

The consolidated financial statements for the years ended June 30, 2019 and 2018 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 Alucant 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 Subsidiary (Avera Tyler)
- Avera St. Mary's and Subsidiary (Avera Gettysburg)

- Avera St. Anthony's Hospital
- Avera St. Benedict Health Center
- Avera Holy Family Health
- Avera @ Home (Avera Home Medical Equipment, LLC)

Non-Obligated Group

- 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 (dissolved as of July 1, 2017)

Accountable Care Organization (ACO) Participation

Avera Health participates in Medicare Shared Savings ACO programs. Avera and its Obligated Group member affiliates control each of the ACO organizations through a majority or 100% ownership interest. The organizations controlled by Avera include the following:

- National Rural ACO 4 LLC d/b/a Prairie Hills Care Organization (terminated June 30, 2019)
- National Rural ACO 5 LLC d/b/a Great Plains Care Organization (terminated June 30, 2019)
- Caravan Health ACO 15 LLC d/b/a Prairie Vista Care Organization
- Caravan Health ACO 41 LLC d/b/a Prairie View Care Organization (commenced July 1, 2019)

Shared savings realized by Avera have not been material in their initial years of participation. Up through June 30, 2019, there was no downside revenue risk with the Avera ACO programs, but the Organization did enter into a risk-bearing ACO as of July 1, 2019.

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 consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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, 2019 and 2018. The Organization paid an immaterial amount of federal and state income taxes for the years ended June 30, 2019 and 2018.

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 consolidated 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.

Receivables

Patient and resident receivables and other receivables are uncollateralized customer and third-party obligations. Other receivables include amounts due from customers for managed and professional services, retail operations, health insurance, and other ancillary business lines. The Organization generally does not charge interest on delinquent patient and resident receivables. 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 stated net of any explicit and implicit price concessions and then further reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes accounts for adverse changes in a patient's or third-party payor's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and its past history with similar cases to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

The Organization has not adjusted the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment arrangements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Supplies

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

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 the performance indicator unless the income or loss is restricted by donor or law. Investment income on funds held under indenture agreements and board designated insurance reserves 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, collective investment 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.

Assets Limited as to Use

Assets limited as to use include assets set aside by governing Boards for operating reserves, 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 or restricted under contractual 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.

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 and ensuring access to physician service in the Organization operations. Notes receivable with physicians totaling approximately \$18,456 and \$16,922 at June 30, 2019 and 2018 are recorded as other accounts receivable and noncurrent receivables in the consolidated balance sheets. Assets recorded for the value of future physician services under guarantee arrangements are recorded as other current and noncurrent receivables. Liabilities recorded in connection with guaranteed salary commitments are included with other current and noncurrent liabilities in the consolidated balance sheets.

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 net assets with donor restrictions 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 consolidated 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.

Fair Value Measurements

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

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

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

Property and Equipment

Property and equipment acquisitions 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 net assets without donor restrictions and are excluded from the performance indicator 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 net assets with donor restrictions. 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.

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.

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 no impairment for the years ended June 30, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

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 stock conversion rights are recorded at fair value on a recurring basis and are included in assets limited as to use in the consolidated balance sheets.

Deferred Compensation

The Organization has a non-qualified deferred compensation plan that permits eligible employees to defer a portion of their compensation in accordance with the applicable provisions of the Internal Revenue Code. Deferred amounts are not available to employees until a distribution event occurs, as defined in the plan document. The assets are held in the name of the Organization until paid or made available to the plan participant. The related assets are reported in other long-term assets, and the corresponding liability is recorded in other long-term 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 net assets without donor restrictions attributable to the Organization's controlling interest and noncontrolling interests for the years ended June 30, 2019 and 2018 are as follows:

	Net Assets without Donor Restrictions		
	Controlling Interest	Noncontrolling Interests	Total
Balance, July 1, 2017	\$ 1,586,781	\$ 14,012	\$ 1,600,793
Revenue in excess of expenses	94,065	6,228	100,293
Distributions to noncontrolling interests	-	(5,972)	(5,972)
Reclassification of accumulated losses on interest rate swaps	380	-	380
Grants and contributions restricted for capital purposes	1,146	-	1,146
Net assets released from restrictions for purchases of property and equipment	3,135	-	3,135
Other changes in net assets	(1,288)	70	(1,218)
Balance, June 30, 2018	1,684,219	14,338	1,698,557
Revenue in excess of expenses	57,783	6,059	63,842
Distributions to noncontrolling interests	-	(6,405)	(6,405)
Reclassification of accumulated losses on interest rate swaps	436	-	436
Grants and contributions restricted for capital purposes	994	-	994
Net assets released from restrictions for purchases of property and equipment	5,551	-	5,551
Other changes in net assets	(264)	13	(251)
Balance, June 30, 2019	<u>\$ 1,748,719</u>	<u>\$ 14,005</u>	<u>\$ 1,762,724</u>

Net Assets with Donor Restrictions

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Patient and Resident Service Revenue

Patient and resident service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient and resident care. These amounts are due from patients or residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients or residents and third-party payors several days after the services are performed and/or the patient or resident is discharged from the facilities. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patient care in the hospital and clinic settings and residents receiving skilled nursing services. The Organization measures the performance obligation associated with inpatient acute services from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. The Organization measures the performance obligation for outpatient and medical clinic services over the patient encounter, which is generally short in duration. The Organization measures the performance obligation associated with residents receiving skilled nursing services from the beginning of the performance period, generally admission or the beginning of the month, to the sooner of completion of services to that resident, discharge or the end of the month. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe it is required to provide additional goods or services to the patient or resident.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services or skilled nursing services to residents at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged or for residents, the sooner of completion of services, discharge or the end of the month, which generally occurs within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and residents in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured patients and residents. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience applied to a portfolio of accounts. The Organization determines its estimate of implicit price concessions based on its historical collection experience with the respective class of patients and residents.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

Consistent with the Organization's mission, care is provided to patients and residents regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and residents and patients and residents with other uninsured balances (for example, co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and residents and the amounts the Organization expects to collect based on its collection history with those patients and residents.

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 deferred and recorded as other current liabilities.

Other Operating Revenues

Other revenue is recognized at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors, and others. Primary categories of other revenue include income from joint ventures, retail pharmacy and other retail revenue, cafeteria revenue, certain facility rent and lease revenue, and other.

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 \$26,459 and \$23,803 at June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Performance Indicator

Revenues in excess of expenses is the performance indicator and 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 grants and contributions restricted for capital purposes, including assets acquired using contributions which were restricted by donors.

Donor-Restricted Gifts

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to assets without donor restrictions and reported in the consolidated statements of changes in net assets as net assets released from restrictions.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

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, 2019 and 2018 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.

Advertising Costs

The Organization expenses advertising costs as they are incurred. During the years ended June 30, 2019 and 2018, advertising expenses were \$9,927 and \$9,796.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 18, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as depreciation, interest, and other occupancy costs, and certain employee benefit costs are allocated to a function based on square footage, usage, salaries or other methods.

Accounting Pronouncements

As of July 1, 2018, the Organization adopted the provisions of Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenues from Contracts with Customers* (Topic 606). The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 identifies a five-step process in order to recognize revenue. In addition, there is also more comprehensive guidance for transactions such as service revenue, contract modifications and multiple-element arrangements.

The Organization has applied the guidance retrospectively to the prior reporting period. The Organization has elected to apply certain allowable practical expedients when applying the guidance. For completed contracts, the Organization did not restate contracts that began and ended within the same annual reporting period. For completed contracts that have variable consideration, the Organization used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting period.

For the prior year presented, the Organization will not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Organization expects to recognize that amount as revenue. The Organization has applied the above practical expedients consistently to all contracts within all reporting periods presented. The Organization does not believe the effect of applying these expedients has a material impact on the amounts presented or disclosed.

The adoption of the new standard resulted in changes to the presentation and disclosure of revenue related to uninsured and underinsured patients. Prior to adoption of ASU 2014-09, the Organization presented a separate provision for bad debts related to 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). Under ASU No. 2014-09, the estimated uncollectible amounts due from these patients are generally considered an implicit price concessions direct reduction to patient service revenue and resulted in a material reduction in the amounts previously presented separately as provision for bad debts. As such, the 2018 provision for bad debts of \$54,545 has been reclassified and presented as a reduction to patient service revenue in current presentation. The adoption of the new standard did not have a significant or material impact on recognition of total operating revenues for any period and there was no cumulative effect of a change in accounting principle recorded, but did result in expanded footnote disclosures.

As of July 1, 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Organization's donor restricted endowment funds and underwater endowments. As a result of implementation, 2018 temporarily restricted net assets of \$47,750 and permanently restricted net assets of \$7,986 have been combined for presentation as net assets with donor restrictions.

ASU 2016-14 introduces new disclosure requirements to provide information about what is included or excluded from the Organization's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of operations net of external and direct internal investment expenses. The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Organization has elected to apply the practical expedient and not disclose prior year functional expense and liquidity and available resources. The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize the assets and liabilities arising from substantially all long-term leases on the consolidated balance sheets and to disclose key qualitative and quantitative information about the Organization's leasing arrangements. This guidance will be effective for the Organization as of July 1, 2019, including interim periods within the 2020 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 November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230). This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents as well as clarifies financial statement presentation for certain transactions reported in the consolidated cash flow statements. The standard will be effective for Avera's fiscal year ending June 30, 2020. 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. 2016-15, *Classification of certain Cash Receipts and Cash Payments*, which adds and clarifies guidance on the classification of certain cash receipts and payments in the consolidated statement of cash flows. The standard will be effective for Avera's fiscal year ending June 30, 2020. The Organization does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for the Organization beginning July 1, 2021. The Organization does not expect this guidance to have a material impact on its consolidated financial statements.

Reclassifications

Reclassifications have been made to the prior year 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 - Liquidity and Availability

To efficiently manage liquidity and capital, Avera Health continually determines the necessary amount of funds to hold in cash and cash equivalents to meet operational needs. Cash in excess of daily operating requirements is generally invested in board designated operating or other reserve accounts to generate higher yielding returns while preserving high liquidity and capital preservation.

Financial assets available for general expenditure within one year of the balance sheet date, are summarized in the following table as of June 30:

	2019
Cash and cash equivalents	\$ 78,753
Assets Limited as to Use	1,164,777
Receivables - current	309,184
Custodial funds held for uncontrolled affiliates	45,165
Deferred compensation	62,781
Total financial assets	1,660,660
Less amount not available to be used within one year	
Donor restricted endowment corpus	(8,751)
Assets under indenture and contractual agreements	(82,614)
Illiquid investments	(26,529)
Custodial funds held for uncontrolled affiliates	(45,165)
Funds held in trust for deferred compensation	(62,781)
	\$ 1,434,820

Avera Health has certain donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Avera Health also has assets limited as to use under indenture and contractual agreements that are available for debt service or capital expenditure that are expected to be used within one year of the balance sheet date, but Avera Health has concluded these are not available for general expenditure based on their restricted uses. Accordingly, these assets have been excluded in the liquidity totals above.

A portion of Avera Health's investment portfolio is invested in alternative investments that are not liquid within one year. Avera has other financial assets that are not considered available for general obligations within one year which include assets held under indenture and contractual arrangements that are not available or not expected to be used in the next year, endowment funds to be held in perpetuity, custodial funds held for uncontrolled affiliates, and investments held in trust designated for deferred compensation arrangements.

In the event of an unanticipated liquidity need, Avera Health has \$3,500 of available line of credit for working capital (see Note 9).

Note 3 - 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.

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. Patient and resident service revenue for the years ended June 30, 2019 and 2018 increased approximately \$1,300 and \$6,600 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.

Generally, patients and certain residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients and residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions.

The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient and resident service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's and resident's ability to pay are recorded as provision for bad debts. The provision for bad debts for the years ended June 30, 2019 and 2018 was not significant.

The composition of patient and resident service revenue by payor for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Medicare	\$ 626,805	\$ 581,562
Medicaid	129,818	127,550
Blue Cross	410,830	406,409
Commercial insurance	489,837	477,291
Other third-party payors, patients and residents	138,088	121,391
	\$ 1,795,378	\$ 1,714,203

Note 4 - Assets Limited as to Use, Custodial Funds, and Investment Income

Assets limited as to use and custodial funds consist of the following and are classified in the consolidated balance sheets as follows as of June 30, 2019 and 2018:

	2019	2018
Cash and short-term investments	\$ 117,069	\$ 66,793
U.S. government issues	68,812	160,942
Corporate bonds	74,625	73,094
Other fixed income	30,435	42,217
Publicly traded equity securities	56,587	52,029
Foreign equities	48,497	55,809
Equity mutual funds	403,067	322,074
Fixed income mutual funds	212,252	180,151
Balanced mutual funds	115	49,250
Stock conversion rights	26,699	20,452
Alternative investments		
Multi-strategy, debt, private equity, and hedge funds	157,556	155,200
Real asset	14,228	12,233
	<u>\$ 1,209,942</u>	<u>\$ 1,190,244</u>
Assets limited as to use		
Current - under indenture and contractual agreements	\$ 59,329	\$ 90,338
Current - designated reserves	42,013	29,358
Noncurrent - under indenture and contractual agreements	23,285	54,950
Noncurrent - designated reserves	1,040,150	976,925
Custodial funds held for unconsolidated entities	45,165	38,673
	<u>\$ 1,209,942</u>	<u>\$ 1,190,244</u>

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Other Revenue		
Interest and dividend income	<u>\$ 11,356</u>	<u>\$ 9,000</u>
Other Income		
Interest and dividend income	\$ 14,387	\$ 5,701
Net realized gains on investments	14,362	30,470
Change in unrealized gains and losses on investments	<u>4,001</u>	<u>11,599</u>
	<u>\$ 32,750</u>	<u>\$ 47,770</u>
Changes in net assets with donor restrictions		
Net realized gains on investments	\$ 1,354	\$ 2,033
Change in unrealized gains and losses on investments	<u>298</u>	<u>480</u>
	<u>\$ 1,652</u>	<u>\$ 2,513</u>

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 5 - Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis at June 30, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Assets limited as to use and custodial funds				
Cash equivalents and short-term investments	\$ 83,734	\$ 33,335	\$ -	\$ 117,069
U.S. government issues	6,245	62,567	-	68,812
Corporate bonds	-	74,625	-	74,625
Other fixed income	-	30,435	-	30,435
Publicly traded equity securities	56,587	-	-	56,587
Foreign equities	48,497	-	-	48,497
Equity mutual funds	17,650	5,734	-	23,384
Fixed income mutual funds	12,693	28,007	-	40,700
Balanced mutual funds	115	-	-	115
Stock conversion rights	-	26,699	-	26,699
Investments valued at net asset value				
Equity mutual funds				379,683
Fixed income mutual funds				171,552
Alternative investments				
Multi-strategy, debt, private equity, and hedge funds				157,556
Real asset				14,228
	<u>225,521</u>	<u>261,402</u>	<u>-</u>	<u>1,209,942</u>
Other assets				
Deferred compensation - mutual funds	61,398	196	-	61,594
Physician guarantees	-	-	3,984	3,984
Contributions receivable	-	-	4,467	4,467
Investments valued at net asset value				
Deferred compensation - other				1,186
	<u>\$ 286,919</u>	<u>\$ 261,598</u>	<u>\$ 8,451</u>	<u>\$ 1,281,173</u>
Liabilities				
Other liabilities				
Physician guarantees	\$ -	\$ -	\$ 3,984	\$ 3,984
Derivative liability - Interest rate swap agreements	-	10,094	-	10,094
	<u>\$ -</u>	<u>\$ 10,094</u>	<u>\$ 3,984</u>	<u>\$ 14,078</u>

Assets and liabilities measured at fair value on a recurring basis at June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use and custodial funds				
Cash equivalents and short-term investments	\$ 48,965	\$ 17,828	\$ -	\$ 66,793
U.S. government issues	4,900	156,042	-	160,942
Corporate bonds	-	73,094	-	73,094
Other fixed income	-	42,217	-	42,217
Publicly traded equity securities	52,029	-	-	52,029
Foreign equities	55,809	-	-	55,809
Equity mutual funds	29,399	169,188	-	198,587
Fixed income mutual funds	1,079	150,873	-	151,952
Balanced mutual funds	105	49,145	-	49,250
Stock conversion rights	-	20,452	-	20,452
Investments valued at net asset value				
Equity mutual funds				123,487
Fixed income mutual funds				28,199
Alternative investments				
Multi-strategy, debt, private equity, and hedge funds				155,200
Real asset				12,233
	192,286	678,839	-	1,190,244
Other assets				
Deferred compensation - mutual funds	54,961	71	-	55,032
Physician guarantees	-	-	5,102	5,102
Contributions receivable	-	-	4,782	4,782
Investments valued at net asset value				
Deferred compensation - other				188
	\$ 247,247	\$ 678,910	\$ 9,884	\$ 1,255,348
Liabilities				
Other liabilities				
Physician guarantees	\$ -	\$ -	\$ 5,102	\$ 5,102
Derivative liability - Interest rate swap agreements	-	8,152	-	8,152
	\$ -	\$ 8,152	\$ 5,102	\$ 13,254

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 2019 and 2018.

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	Physician Guarantee Asset	Physician Guarantee Liability
July 1, 2017	\$ 3,268	\$ 791	\$ (791)
New contributions	4,031	-	-
Cash (received) paid	(2,521)	(1,228)	1,228
Write-offs / adjustments	4	5,539	(5,539)
June 30, 2018	4,782	5,102	(5,102)
New contributions	1,302	-	-
Cash (received) paid	(1,748)	(1,228)	1,228
Write-offs / adjustments	131	110	(110)
June 30, 2019	<u>\$ 4,467</u>	<u>\$ 3,984</u>	<u>\$ (3,984)</u>

Investments Valued at Net Asset Value

The Organization determines the carrying amount of certain investments such as multi-strategy funds, collective investment funds, institutional mutual funds, private equity funds, hedge funds and real asset funds, using the calculated net asset value ("NAV") provided by the fund, an acceptable practical expedient. The net asset value is determined based on the fair value or estimated fair value of each of the underlying investments held in the fund. The fund or investment managers 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, 2019:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Notice Period</u>
Daily redemption frequency			
Equity mutual funds	\$ 281,929	\$ -	Daily
Fixed income mutual funds	141,870	-	Daily
Two day redemption frequency			
Equity mutual funds	97,754	-	Daily
Monthly redemption frequency			
Fixed income mutual funds	29,682	-	10-30 Days
Multi-strategy, debt, private equity, and hedge funds	2,979	-	30-90 Days
Quarterly redemption frequency			
Multi-strategy, debt, private equity, and hedge funds	99,135	-	45-90 Days
Semi-annual redemption frequency			
Multi-strategy, debt, private equity, and hedge funds	30,360	-	45-90 Days
Annual redemption frequency			
Multi-strategy, debt, private equity, and hedge funds	12,781	-	45-90 Days
Illiquid investments			
Multi-strategy, debt, private equity, and hedge funds	12,301	130	(A)
Real asset	14,228	6,692	(B)
	<u>\$ 723,019</u>	<u>\$ 6,822</u>	

The following table and explanations identify attributes relating to the nature and risk of investments carried at NAV as of June 30, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Notice Period</u>
Daily redemption frequency			
Equity mutual funds	\$ 123,487	\$ -	Daily
Monthly redemption frequency			
Fixed income mutual funds	28,199	-	10-30 Days
Multi-strategy, debt, private equity, and hedge funds	2,828	-	30-90 Days
Quarterly redemption frequency			
Multi-strategy, debt, private equity, and hedge funds	99,622	-	45-90 Days
Semi-annual redemption frequency			
Multi-strategy, debt, private equity, and hedge funds	31,271	-	45-90 Days
Annual redemption frequency			
Multi-strategy, debt, private equity, and hedge funds	13,228	-	45-90 Days
Illiquid investments			
Multi-strategy, debt, private equity, and hedge funds	8,251	4,638	(A)
Real asset	12,233	12,558	(B)
	<u>\$ 319,119</u>	<u>\$ 17,196</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.
- (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.

Fair Value of Financial Instruments

The Organization annually evaluates its financial instruments that are reflected at cost in the financial statements to consider their fair values. The Organization has generally evaluated the fair value of these financial instruments using level 2 inputs under the fair value hierarchy. The Organization considers the carrying amount of significant classes of financial instruments on the consolidated 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, 2019 and 2018.

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 \$489,407 and \$466,276 as of June 30, 2019 and 2018. The fair value of the Organization's fixed rate debt is estimated to be \$525,008 and \$491,809 as of June 30, 2019 and 2018.

Note 6 - Property and Equipment

A summary of property and equipment is as follows:

	2019		2018	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 49,059	\$ -	\$ 48,675	\$ -
Land improvements	25,361	15,575	27,340	17,064
Buildings and improvements	1,122,108	545,812	1,052,055	524,011
Equipment	756,087	533,982	716,277	522,401
Rental property and property held for future use	34,822	3,955	33,274	3,691
Construction in progress	154,261	-	109,751	-
	<u>\$ 2,141,698</u>	<u>\$ 1,099,324</u>	<u>\$ 1,987,372</u>	<u>\$ 1,067,167</u>
Property and equipment, net		<u>\$ 1,042,374</u>		<u>\$ 920,205</u>

Construction in progress at June 30, 2019 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 an inpatient addiction treatment center in Sioux Falls, South Dakota. Additional remodeling and addition projects are also planned across other Avera facilities. The estimated cost to complete the projects is approximately \$98,485 and will be financed from the proceeds of the Series 2017 bond financing and other cash and investment reserves. The estimated cost to complete the projects includes contract commitments of approximately \$37,833 as of June 30, 2019.

Note 7 - Investments in Affiliated Organizations

The Organization and subsidiaries are participants in various investments in affiliated organizations with ownership/sponsorship percentages ranging from 11.8% to 50%. Investments consist of the following as of June 30, 2019 and 2018:

Organization Name	Percent Ownership/ Sponsorship	2019	2018
Innovative Institute, LLC	11.8%	\$ 12,410	\$ 12,520
Other investments in affiliates	49.0% - 50.0%	3,589	3,967
Total equity method investments		15,999	16,487
ExceleraRx, LLC (cost method)		2,565	2,565
Total investments in affiliated organizations		\$ 18,564	\$ 19,052

Summary financial information on a combined basis for the above entities, as of and for the years ended June 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 57,505	\$ 41,512
Other current assets	60,264	52,602
Land, buildings, and equipment - net	172,546	197,831
Other noncurrent assets	<u>41,471</u>	<u>47,078</u>
 Total assets	 <u>\$ 331,786</u>	 <u>\$ 339,023</u>
Total current liabilities	\$ 66,470	\$ 54,497
Long-term liabilities	127,280	171,607
Net assets/equity	<u>138,036</u>	<u>112,919</u>
 Total liabilities and net assets/equity	 <u>\$ 331,786</u>	 <u>\$ 339,023</u>
Total revenues	\$ 276,372	\$ 221,143
Total expenses	<u>(275,361)</u>	<u>(225,232)</u>
 Net income (loss)	 <u>\$ 1,011</u>	 <u>\$ (4,089)</u>

Note 8 - Goodwill and Intangible Assets

Changes in the carrying amount of goodwill during the years ended June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 99,309	\$ 98,460
Goodwill acquired	<u>3,005</u>	<u>849</u>
 Balance, end of year	 <u>\$ 102,314</u>	 <u>\$ 99,309</u>

Intangible assets as of June 30, 2019 and 2018 consist of:

	Cost	Accumulated Amortization	Net
Balance, June 30, 2019			
Non-compete agreements	\$ 15,010	\$ (12,262)	\$ 2,748
Medical records	8,011	(6,099)	1,912
Other	9,390	(7,362)	2,028
	\$ 32,411	\$ (25,723)	\$ 6,688
Balance, June 30, 2018			
Non-compete agreements	\$ 15,010	\$ (11,936)	\$ 3,074
Medical records	7,716	(5,056)	2,660
Other	9,390	(7,014)	2,376
	\$ 32,116	\$ (24,006)	\$ 8,110

Amortization expense for the years ended June 30, 2019 and 2018 was \$1,678 and \$2,312 and is included in depreciation and amortization in the consolidated statements of operations.

Estimated future amortization expense is as follows for the years ending June 30:

2020	\$ 1,093
2021	879
2022	653
2023	570
2024	415
Thereafter	3,078
	\$ 6,688

Note 9 - Long-Term Debt

	2019	2018
South Dakota Health and Educational Facilities Authority Series 2008C Variable Rate Demand Revenue Bonds, 2.61% weighted average interest rate during the fiscal year, varying annual installments through tender date of April 3, 2022 with a stated maturity of July 1, 2033	\$ 52,150	\$ 53,975
South Dakota Health and Educational Facilities Authority Series 2012A Revenue Bonds, fixed interest rates ranging from 4.00% to 5.00%, due in varying semi- annual interest payments and annual principal payments to July 1, 2042	60,275	62,290
Unamortized bond premium	2,606	2,776
Unamortized debt issuance costs	(659)	(702)
South Dakota Health and Educational Facilities Authority Series 2012B Revenue Bonds, variable interest rates due biannually during the fiscal year with a weighted average interest rate of 2.44%, varying principal payments due annually through tender date of July 1, 2023, final maturity of July 1, 2038	115,345	118,120
Unamortized debt issuance costs	-	(34)
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	2,532	2,640
Unamortized debt issuance costs	(677)	(706)
South Dakota Health and Educational Facilities Authority Series 2017 Revenue Bonds, fixed interest rates ranging from 3.125% to 5.00%, due in varying semi- annual interest payments and annual principal payments to July 1, 2046	222,860	223,075
Unamortized bond premium	18,270	19,213
Unamortized debt issuance costs	(1,652)	(1,735)
Term note obligations payable to financial institutions with interest rates ranging from 2.80% to 4.30%		
Series 2012C, due in monthly payments of \$73 with final balloon payment due August 1, 2026	14,753	15,207
Series 2012D, due in monthly payments of \$97 through October 1, 2022	3,673	4,706
Series 2012E, due in monthly payments of \$46, refinanced during 2019	-	8,432
Series 2015A, due monthly with annual principal payments of \$1,080 with a final balloon payment due June 29, 2025	23,760	24,840
Series 2016A, due in monthly payments of \$118 with a final balloon payment due February 1, 2026	22,599	23,332
Series 2017A, due in monthly payments of \$106 with a final balloon payment due July 1, 2024	17,870	18,603
Series 2019A, due in monthly payments of \$155 with a final balloon payment due July 1, 2026	26,820	-
Notes payable, due in monthly principal and interest payments of \$42 to \$81 with final balloon payments due June 27 to December 28, 2028	23,638	9,922
Unamortized debt issuance costs	(95)	(111)

Avera Health
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June 30, 2019 and 2018
(Dollar Amounts in Thousands)

	2019	2018
City of Creighton Health Care Facility Revenue Bonds, early extinguished during 2019		
Series 2006A, 4.375%	\$ -	\$ 2,114
Series 2006B, 4.375%	-	74
City of Estherville, Iowa, Avera Holy Family Health Revenue Bonds, Series 2012, 2.60% to 3.75% (effective interest rate of 3.34%), due annually in increasing amounts to July 1, 2026	2,360	2,615
Unamortized debt issuance costs	(77)	(87)
City of O'Neill, Nebraska, Avera St. Anthony's, Series 2012A Revenue Refunding Note, 3.65%, due in monthly payments of \$70 through December 2027	6,191	6,807
Unamortized debt issuance costs	(35)	(40)
City of O'Neill, Nebraska, Avera St. Anthony's, Series 2012B Revenue Refunding Note, 4.25%, due in monthly payments of \$11 through December 2027	933	1,023
Unamortized debt issuance costs	(5)	(6)
Note payable, variable interest at LIBOR + 1.72% (4.12% at June 30, 2019), monthly principal and interest payments of \$125 with final balloon payment due September 2020	4,517	6,023
Notes payable, 4.50% fixed interest, due in monthly principal and interest payments of \$47 with final balloon payment due July 1, 2024	5,724	6,045
Unamortized debt issuance costs	(23)	(29)
Notes and contracts payable, fixed interest rates ranging from 0% to 6.2%, with varying payment terms through June 2024	4,920	4,473
Capital lease obligations - Note 12	17,163	14
Total long-term debt	704,486	671,619
Less current maturities	(19,436)	(16,881)
Long-term debt, less current maturities	\$ 685,050	\$ 654,738

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

2020	\$	19,436
2021		19,314
2022		19,741
2023		31,535
2024		17,751
Thereafter		<u>576,524</u>
		684,301
Unamortized bond premiums and discounts		23,408
Unamortized debt issuance costs		<u>(3,223)</u>
		<u><u>\$ 704,486</u></u>

Substantially all of the Obligated Group's assets and revenues as of June 30, 2019 and 2018 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 is included in interest expense in the consolidated financial statements and does 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.

Advanced Refunding of Bonds

The Organization refinanced the Series 2008B Revenue Bonds with proceeds from the issuance of the Series 2017 Revenue Bonds. In connection with the refinancing, the Organization recorded a loss on advanced refunding of bonds of \$2,029 during the year ended June 30, 2018. The Series 2008B Revenue Bonds were advance refunded by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest and were considered legally defeased. The trustee held escrow accounts are invested in U.S. government securities. The Series 2008B Revenue Bonds were paid in full on July 1, 2018.

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. The line of credit expires in April 2021. No amounts were outstanding under this line of credit at June 30, 2019 and 2018.

Standby Letter of Credit

In connection with its participation in a risk-bearing ACO model as discussed in Note 1, the Organization was required by the Centers for Medicare and Medicaid Services to enter into a standby letter of credit arrangement. As of June 30, 2019, the Organization has a standby letter of credit with a financial institution of \$4,279, with a scheduled expiration of December 31, 2021. No amounts were outstanding under this letter of credit at June 30, 2019 and 2018.

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:

Reference	Maturity Date	Notional Amount	Organization Pays	Organization Receives	Fair Value	
					2019	2018
Swap A	2028	\$ 14,255	3.870%	67% of LIBOR	\$ (1,755)	\$ (1,499)
Swap B	2033	\$ 38,170	3.915%	67% of LIBOR	(8,254)	(6,530)
Swap C	2020	\$ 3,614	4.130%	LIBOR +1.72%	(85)	(123)
					<u>\$ (10,094)</u>	<u>\$ (8,152)</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 the performance indicator as future interest payments are made over the remaining term of the swap agreements. For the years ended June 30, 2019 and 2018, \$436 and \$380 was reclassified into the performance indicator in relation to the hedge discontinuance. The aggregate fair value of the swap agreements was recorded as a long term liability of \$10,009 and \$8,029 as of June 30, 2019 and 2018. The change in fair value of \$(1,980) and \$3,044 was recorded to the performance indicator for the years ended June 30, 2019 and 2018.

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 \$85 and \$123 as of June 30, 2019 and 2018. For the years ended June 30, 2019 and 2018, the changes in fair value of \$38 and \$213 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, 2019 and 2018:

	2019	2018
Long-term Liability		
Fair value of interest rate swap agreements	\$ (10,094)	\$ (8,152)
Revenues in Excess of Expenses		
Change in fair value of interest rate swaps not designated as hedging instruments	\$ (1,980)	\$ 3,044
Reclassification of accumulated losses on interest rate swaps	(436)	(380)
Interest expense	1,297	1,732
Other Changes in Net Assets		
Change in fair value of interest rate swaps designated as hedging instruments	\$ 38	\$ 213
Reclassification of accumulated losses on interest rate swaps	436	380

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019 and 2018:

	2019	2018
Subject to expenditure for a specific purpose		
Various health care programs and capital projects, including hospice, cancer care, various regional operations, and others	\$ 42,836	\$ 44,334
Endowments		
Earnings subject to appropriation and expenditure Various health care programs and services	3,775	3,426
Investments to be held in perpetuity, the income from which is expendable to support various health care program services	8,751	7,976
	\$ 55,362	\$ 55,736

Net assets released from restrictions for operating purposes were \$5,760 and \$6,119 for the years ended June 30, 2019 and 2018, and are included in other operating revenues in the consolidated statements of operations. Net assets released from restrictions for capital purposes were \$5,551 and \$3,135 for the years ended June 30, 2019 and 2018, and were recorded as other changes in net assets.

Endowments

The Organization's endowment assets consist of individual funds established by donors to provide funding for specific activities and general operations. Endowment assets also includes certain net assets without donor restrictions designated for quasi-endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Avera Health's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including contributions receivable net of discount and allowance for doubtful accounts) donated to the endowment assets and (b) any accumulations to the endowment assets made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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. There were no significant underwater endowments funds as of June 30, 2019 and 2018.

Note 12 - Leases

The Organization leases certain operations, equipment, and building space under various lease agreements with varying terms. Certain leases have been recorded as capitalized leases and other as operating leases. Total lease expense for all operating leases and rental agreements was approximately \$22,070 and \$22,510 for the years ended June 30, 2019 and 2018.

The capitalized leased assets consist of:

	2019	2018
Buildings	\$ 17,641	\$ -
Equipment	37	37
	17,678	37
Less accumulated amortization (included with depreciation and amortization)	(478)	(30)
	\$ 17,200	\$ 7

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

Years ending June 30,	Capital Leases	Operating Leases
2020	\$ 1,668	\$ 11,773
2021	1,662	10,650
2022	1,662	8,046
2023	14,331	6,446
2024	-	5,237
Thereafter	-	35,614
Total minimum lease payments	19,323	\$ 77,766
Less interest	(2,160)	
Present value of minimum lease payments - Note 9	\$ 17,163	

Note 13 - Employee Retirement 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 now frozen 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, 2019 and 2018, the Organization recorded expenses of approximately \$11,983 and \$15,505 to the Career Average plan.

Defined Benefit Pension Plan – Cash Balance

Under the now frozen 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, 2019 and 2018, the Organization recorded expenses of approximately \$1,004 and \$1,271 to the Cash Balance plan.

The latest available financial information for the Plans is as follows:

Pension Plan	EIN	December 31, 2018 Plan Assets	December 31, 2018 Actuarial Present Value of Accumulated Plan Benefits	Year Ended December 31, 2018 Total Plan Contributions
Defined Benefit Pension Plan – Career Average	46-0253283	\$ 347,101	\$ 433,840	\$ 7,252
Defined Benefit Pension Plan – Cash Balance	46-0253283	103,941	107,505	1,418
		<u>\$ 451,042</u>	<u>\$ 541,345</u>	<u>\$ 8,670</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, 2019 and 2018. The Organization recognized total 403(b) Plan expenses of approximately \$43,680 and \$37,163 for the years ended June 30, 2019 and 2018.

Other Defined Contribution Retirement 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 \$1,272 and \$1,457 for the years ended June 30, 2019 and 2018.

Note 14 - Functional Expenses

The Organization provides general health care services to patients and residents within its geographic location. Expenses related to providing these services by functional class for the year ended June 30, 2019 are as follows:

	Healthcare Services	Insurance Services	General and Administrative	Fundraising	Total
Salaries, wages, and benefits	\$ 1,139,971	\$ 6,250	\$ 87,621	\$ 1,669	\$ 1,235,511
Supplies	396,322	-	421	74	396,817
Other	141,845	-	201,687	1,461	344,993
Claims expense	-	144,653	-	-	144,653
Interest	16,524	-	4,467	-	20,991
Depreciation and amortization	85,398	-	13,805	7	99,210
	<u>\$ 1,780,060</u>	<u>\$ 150,903</u>	<u>\$ 308,001</u>	<u>\$ 3,211</u>	<u>\$ 2,242,175</u>

Expenses related to providing these services by functional class for the year ended June 30, 2018 are as follows:

Program services	\$ 1,762,839
General and administrative	333,943
Fundraising	<u>2,140</u>
	<u>\$ 2,098,922</u>

Note 15 - 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:

2020	\$	17,376
2021		16,507
2022		14,203
2023		10,065
2024		4,306
Thereafter		12,191
	\$	74,648

Alternative Investment Commitments

The Organization has commitments to invest approximately \$6,822 in various alternative investments as of June 30, 2019.

Other Commitments

Avera Health Plans, Inc., South Dakota State Medical Holding Company, Inc. dba Dakotacare, and Avera Property Insurance, Inc., 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, 2019, management believes they have met the minimum net worth requirements.

Note 16 - 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, increasing to \$3 million per claim and \$9 million annual aggregate on January 1, 2019. The Organization is also insured under an excess umbrella liability claims-made policy with a limit of \$35 million per claim and \$40 million annual aggregate. 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, 2019 and 2018, 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 17 - 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, 2019 and 2018, are as follows:

	2019	2018
Medicare	34%	36%
Medicaid	7%	8%
Blue Cross	18%	17%
Commercial insurance	20%	21%
Other third-party payors, patients and residents	21%	18%
	100%	100%

The Organization's cash balances are maintained in various bank deposit accounts. At times during the years ended June 30, 2019 and 2018, the consolidated balances of these deposits were in excess of federally-insured limits.

Note 18 - Business Combinations

2019 Acquisitions

During the year ended June 30, 2019, the Organization closed on purchase agreements for the acquisition of various medical practices and an ambulatory surgery center. 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 2019 acquisitions were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2019 as follows:

Receivables and other assets	\$ 189
Property and equipment, net	3,750
Goodwill	3,005
Intangible assets	295
Total assets acquired	7,239
Liabilities assumed	(464)
Cash paid in business acquisitions, net of cash acquired	\$ 6,775

Pro forma revenue, gains, and other support without donor restrictions 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 2019 acquisitions.

2018 Acquisitions

During the year ended June 30, 2018, the Organization closed on purchase agreements for the acquisition of the assets of a pharmacy 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 2018 acquisitions were allocated to the acquired assets based on estimated fair value as of the respective purchases dated during the year ended June 30, 2018 as follows:

Receivables and other assets	\$ 21
Property and equipment, net	50
Goodwill	849
Intangible assets	444
Total assets acquired	1,364
Liabilities assumed	-
Cash paid in business acquisitions, net of cash acquired	\$ 1,364

Note 19 - Subsequent Events

On September 10, 2019, Sioux Falls, South Dakota experienced tornadoes and high winds. There was moderate damage to the Avera Behavioral Health Center, Avera Heart Hospital of South Dakota, and Avera Health's central administration building, and some disruption of patient care services. Preliminary damage estimates for the buildings is approximately \$15,000. Avera Health's deductible is \$250 and Avera Health is coordinating with its insurance carrier on damage claims. Avera Health expects the majority of repairs to be completed during the year ending June 30, 2020.

Avera Health anticipates refunding and refinancing various debt instruments during November 2019. The plan of finance includes refunding the 2012A Series Revenue Bonds, refinancing various direct placement obligations totaling approximately \$36.1 million into taxable public bonds, and refinancing the Series 2008C debt.

The Organization has evaluated subsequent events through October 18, 2019, the date which the consolidated financial statements were available to be issued.



Supplementary Consolidating Information
June 30, 2019

Avera Health

Avera Health
Consolidating Balance Sheets
June 30, 2019
(In Thousands)

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 63,429	\$ 15,324	\$ -	\$ 78,753
Assets limited as to use				
Under indenture and contractual agreements	59,329	-	-	59,329
Designated reserves	-	42,013	-	42,013
Receivables				
Patients and residents	245,761	-	(14,145)	231,616
Other	66,100	11,784	(316)	77,568
Supplies	48,676	-	-	48,676
Prepaid expenses and other	24,048	4,470	-	28,518
Total current assets	507,343	73,591	(14,461)	566,473
Assets Limited as to Use				
Under indenture and contractual agreements	23,285	-	-	23,285
Designated reserves	994,332	45,818	-	1,040,150
Total noncurrent assets limited as to use	1,017,617	45,818	-	1,063,435
Property and Equipment, Net	1,041,520	854	-	1,042,374
Other Assets				
Custodial funds held for uncontrolled affiliates	45,165	-	-	45,165
Investments in affiliated organizations	18,564	-	-	18,564
Goodwill	102,314	-	-	102,314
Intangible assets, net	6,688	-	-	6,688
Noncurrent receivables	17,004	-	-	17,004
Deferred compensation	62,781	-	-	62,781
Other	5,399	-	-	5,399
Total other assets	257,915	-	-	257,915
Total Assets	\$ 2,824,395	\$ 120,263	\$ (14,461)	\$ 2,930,197

Avera Health
Consolidating Balance Sheets
June 30, 2019
(In Thousands)

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ 19,436	\$ -	\$ -	\$ 19,436
Accounts payable	71,254	7,627	(2,461)	76,420
Accrued salaries, benefits and withholdings	108,560	1,689	-	110,249
Interest payable	8,714	-	-	8,714
Estimated insurance claims payable	25,747	28,512	(12,000)	42,259
Estimated third-party payors	11,693	-	-	11,693
Other	10,312	9,998	-	20,310
Total current liabilities	255,716	47,826	(14,461)	289,081
Noncurrent Liabilities				
Long-term debt, less unamortized premiums, discounts, and debt issuance costs	685,050	-	-	685,050
Custodial funds held for uncontrolled affiliates	45,165	-	-	45,165
Estimated insurance claims payable	11,924	-	-	11,924
Derivative liability	10,094	-	-	10,094
Deferred compensation	62,781	-	-	62,781
Other	8,016	-	-	8,016
Total noncurrent liabilities	823,030	-	-	823,030
Total liabilities	1,078,746	47,826	(14,461)	1,112,111
Net Assets				
Without donor restrictions				
Undesignated	1,676,379	72,340	-	1,748,719
Noncontrolling interest	13,908	97	-	14,005
Total without donor restrictions	1,690,287	72,437	-	1,762,724
With donor restrictions	55,362	-	-	55,362
Total net assets	1,745,649	72,437	-	1,818,086
Total Liabilities and Net Assets	\$ 2,824,395	\$ 120,263	\$ (14,461)	\$ 2,930,197

Avera Health
Consolidating Balance Sheets
June 30, 2018
(In Thousands)

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 119,855	\$ 27,530	\$ -	\$ 147,385
Assets limited as to use				
Under indenture and contractual agreements	90,338	-	-	90,338
Designated reserves	-	29,358	-	29,358
Receivables				
Patients and residents	238,823	-	(12,858)	225,965
Other	50,036	10,138	(701)	59,473
Supplies	44,248	-	-	44,248
Prepaid expenses and other	24,391	3,327	-	27,718
Total current assets	567,691	70,353	(13,559)	624,485
Assets Limited as to Use				
Under indenture and contractual agreements	54,950	-	-	54,950
Designated reserves	931,835	45,090	-	976,925
Total noncurrent assets limited as to use	986,785	45,090	-	1,031,875
Property and Equipment, Net	919,125	1,080	-	920,205
Other Assets				
Custodial funds held for uncontrolled affiliates	38,673	-	-	38,673
Investments in affiliated organizations	19,052	-	-	19,052
Goodwill	99,309	-	-	99,309
Intangible assets, net	8,110	-	-	8,110
Noncurrent receivables	18,027	-	-	18,027
Deferred compensation	55,220	-	-	55,220
Other	4,706	-	-	4,706
Total other assets	243,097	-	-	243,097
Total Assets	\$ 2,716,698	\$ 116,523	\$ (13,559)	\$ 2,819,662

Avera Health
Consolidating Balance Sheets
June 30, 2018
(In Thousands)

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ 16,881	\$ -	\$ -	\$ 16,881
Accounts payable	75,279	8,535	(2,659)	81,155
Accrued salaries, benefits and withholdings	99,711	1,444	-	101,155
Interest payable	8,586	-	-	8,586
Estimated insurance claims payable	16,273	27,549	(10,900)	32,922
Estimated third-party payors	10,511	-	-	10,511
Other	8,823	20,360	-	29,183
Total current liabilities	236,064	57,888	(13,559)	280,393
Noncurrent Liabilities				
Long-term debt, less unamortized premiums, discounts, and debt issuance costs	654,738	-	-	654,738
Custodial funds held for uncontrolled affiliates	38,673	-	-	38,673
Estimated insurance claims payable	16,185	-	-	16,185
Derivative liability	8,152	-	-	8,152
Deferred compensation	55,220	-	-	55,220
Other	8,072	3,936	-	12,008
Total noncurrent liabilities	781,040	3,936	-	784,976
Total liabilities	1,017,104	61,824	(13,559)	1,065,369
Net Assets				
Without donor restrictions				
Undesignated	1,629,617	54,602	-	1,684,219
Noncontrolling interest	14,241	97	-	14,338
Total without donor restrictions	1,643,858	54,699	-	1,698,557
With donor restrictions	55,736	-	-	55,736
Total net assets	1,699,594	54,699	-	1,754,293
Total Liabilities and Net Assets	\$ 2,716,698	\$ 116,523	\$ (13,559)	\$ 2,819,662

Avera Health
Consolidating Statements of Operations
For the Year Ended June 30, 2019
(In Thousands)

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Revenues, Gains, and Other Support without Donor Restrictions				
Patient and resident service revenue	\$ 1,899,726	\$ -	\$ (104,348)	\$ 1,795,378
Premium revenue	-	290,786	-	290,786
Other revenue	191,494	11,730	(3,628)	199,596
Total revenues, gains, and other support	2,091,220	302,516	(107,976)	2,285,760
Expenses				
Salaries, wages and benefits	1,212,735	22,776	-	1,235,511
Supplies	396,670	147	-	396,817
Other	331,880	16,741	(3,628)	344,993
Claims expense	-	249,001	(104,348)	144,653
Interest	20,985	6	-	20,991
Depreciation and amortization	98,863	347	-	99,210
Total expenses	2,061,133	289,018	(107,976)	2,242,175
Operating Income	30,087	13,498	-	43,585
Other Income (Expense)				
Investment income - realized	24,575	4,174	-	28,749
Investment income - unrealized	3,969	32	-	4,001
Other nonoperating, net	(10,111)	34	-	(10,077)
Change in fair value of interest rate swaps not designated as hedges	(1,980)	-	-	(1,980)
Reclassification of accumulated losses on interest rate swaps	(436)	-	-	(436)
Total other income (expense)	16,017	4,240	-	20,257
Revenues in Excess of Expenses	46,104	17,738	-	63,842
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(6,405)	-	-	(6,405)
Reclassification of accumulated losses on interest rate swap	436	-	-	436
Grants and contributions for capital purposes	994	-	-	994
Net assets released from restrictions for purchases of property and equipment	5,551	-	-	5,551
Other changes in net assets	(251)	-	-	(251)
Change in Net Assets without Donor Restrictions	\$ 46,429	\$ 17,738	\$ -	\$ 64,167

Avera Health
Consolidating Statements of Operations
For the Year Ended June 30, 2018
(In Thousands)

	Avera Obligated Group	Non-Obligated Group	Eliminations and Reclassifications	Consolidated
Revenues, Gains, and Other Support without Donor Restrictions				
Patient and resident service revenue	\$ 1,816,340	\$ -	\$ (102,137)	\$ 1,714,203
Premium revenue	-	295,581	-	295,581
Other revenue	147,944	10,469	(3,814)	154,599
Total revenues, gains, and other support	<u>1,964,284</u>	<u>306,050</u>	<u>(105,951)</u>	<u>2,164,383</u>
Expenses				
Salaries, wages and benefits	1,120,181	21,203	-	1,141,384
Supplies	364,341	187	-	364,528
Other	304,142	18,981	(3,814)	319,309
Claims expense	-	257,500	(102,137)	155,363
Interest	19,412	-	-	19,412
Depreciation and amortization	98,426	500	-	98,926
Total expenses	<u>1,906,502</u>	<u>298,371</u>	<u>(105,951)</u>	<u>2,098,922</u>
Operating Income	<u>57,782</u>	<u>7,679</u>	<u>-</u>	<u>65,461</u>
Other Income (Expense)				
Investment income - realized	34,883	1,288	-	36,171
Investment income - unrealized	11,642	(43)	-	11,599
Loss on advance refunding of bonds	(2,029)	-	-	(2,029)
Other nonoperating, net	(13,794)	221	-	(13,573)
Change in fair value of interest rate swaps not designated as hedges	3,044	-	-	3,044
Reclassification of accumulated losses on interest rate swaps	(380)	-	-	(380)
Total other income (expense)	<u>33,366</u>	<u>1,466</u>	<u>-</u>	<u>34,832</u>
Revenues in Excess of Expenses	91,148	9,145	-	100,293
Net equity transfers	323	(323)	-	-
Investment by noncontrolling interests, and distributions of earnings to noncontrolling interests, net	(5,972)	-	-	(5,972)
Reclassification of accumulated losses on interest rate swap	380	-	-	380
Grants and contributions for capital purposes	1,146	-	-	1,146
Net assets released from restrictions for purchases of property and equipment	3,135	-	-	3,135
Other changes in net assets	276	(1,494)	-	(1,218)
Net assets transferred into Obligated Group	125,826	(125,826)	-	-
Change in Net Assets without Donor Restrictions	<u>\$ 216,262</u>	<u>\$ (118,498)</u>	<u>\$ -</u>	<u>\$ 97,764</u>