

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Form **990**

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

2022

Department of the Treasury
Internal Revenue Service

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

Open to Public Inspection

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

A For the 2022 calendar year, or tax year beginning **JUL 1, 2022** and ending **JUN 30, 2023**

| | | |
|--|--|---|
| 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 Sacred Heart Health Services Doing business as Avera Sacred Heart Hospital Number and street (or P.O. box if mail is not delivered to street address) Room/suite 501 Summit St. City or town, state or province, country, and ZIP or foreign postal code Yankton, SD 57078 F Name and address of principal officer: Douglas R. Ekeren same as C above | D Employer identification number 46-0225483 E Telephone number (605) 668-8000 G Gross receipts \$ 148,707,624. 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 0928 |
| 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: avera.org/locations/sacred-heart/ | | |
| 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: 1911 M State of legal domicile: SD |

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 | 15 |
| | 4 | Number of independent voting members of the governing body (Part VI, line 1b) | 4 | 13 |
| | 5 | Total number of individuals employed in calendar year 2022 (Part V, line 2a) | 5 | 1263 |
| | 6 | Total number of volunteers (estimate if necessary) | 6 | 155 |
| | 7a | Total unrelated business revenue from Part VIII, column (C), line 12 | 7a | 0. |
| | 7b | Net unrelated business taxable income from Form 990-T, Part I, line 11 | 7b | 0. |
| Revenue | 8 | Contributions and grants (Part VIII, line 1h) | Prior Year 5,615,771. | Current Year 1,712,360. |
| | 9 | Program service revenue (Part VIII, line 2g) | 143,345,590. | 144,214,967. |
| | 10 | Investment income (Part VIII, column (A), lines 3, 4, and 7d) | 3,884,270. | 2,220,031. |
| | 11 | Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) | 36,073. | 276,288. |
| | 12 | Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) | 152,881,704. | 148,423,646. |
| | Expenses | 13 | Grants and similar amounts paid (Part IX, column (A), lines 1-3) | 44,736. |
| 14 | | Benefits paid to or for members (Part IX, column (A), line 4) | 0. | 0. |
| 15 | | Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) | 73,231,926. | 75,590,685. |
| 16a | | Professional fundraising fees (Part IX, column (A), line 11e) | 0. | 0. |
| b | | Total fundraising expenses (Part IX, column (D), line 25) | 10,780. | |
| 17 | | Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) | 70,007,784. | 68,715,869. |
| 18 | Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) | 143,284,446. | 144,472,709. | |
| 19 | Revenue less expenses. Subtract line 18 from line 12 | 9,597,258. | 3,950,937. | |
| Net Assets or Fund Balances | 20 | Total assets (Part X, line 16) | Beginning of Current Year 382,193,873. | End of Year 399,640,005. |
| | 21 | Total liabilities (Part X, line 26) | 54,490,946. | 49,584,411. |
| | 22 | Net assets or fund balances. Subtract line 21 from line 20 | 327,702,927. | 350,055,594. |

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 Lutt, CFO Avera Health | Date |
| | Type or print name and title | |
| Paid Preparer Use Only | Print/Type preparer's name Kim Hunwardsen, CPA | Preparer's signature Kim Hunwardsen, CPA |
| | Date 05/08/24 | 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 \$ 129,115,916. including grants of \$ 166,155.) (Revenue \$ 144,233,913.)
Avera Sacred Heart's mission is to provide healthcare services to Yankton, South Dakota residents and residents of the surrounding area. Avera Sacred Heart is a 501(c)(3) organization affiliated with Avera Health. Avera Sacred Heart consists of a 99-bed hospital and a 187-bed nursing home, congregate housing facility and a hospice house in Yankton, SD, a 23-bed critical access hospital and a 47-bed nursing home in Creighton, NE, and 15 physician clinics. The physician clinics include primary care, ob/gyn, pediatrics, orthopedics, general surgery, internal medicine, radiation, radiology, oncology, podiatry, therapy, dialysis, behavioral health, and palliative care.

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

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

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

4e Total program service expenses 129,115,916.

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> | 1 X | |
| 2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ? See instructions | 2 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> | 3 | 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> | 4 | 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 Rev. Proc. 98-19? <i>If "Yes," complete Schedule C, Part III</i> | 5 | 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> | 6 | 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> | 7 | 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> | 8 | 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> | 9 X | |
| 10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i> | 10 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> | 11a 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> | 11b 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> | 11c | 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> | 11d | 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> | 11e 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> | 11f 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> | 12a | 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> | 12b X | |
| 13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i> | 13 | X |
| 14a Did the organization maintain an office, employees, or agents outside of the United States? | 14a | 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> | 14b | 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> | 15 | 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> | 16 | 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> See instructions | 17 | 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> | 18 | 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> | 19 | X |
| 20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i> | 20a X | |
| b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? | 20b 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> | 21 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 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i> | | X |
| 27 Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) 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 the Schedule L, Part IV, instructions for applicable filing thresholds, conditions, and exceptions): | | |
| a A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i> | X | |
| b A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i> | X | |
| c A 35% controlled entity of one or more individuals and/or organizations described in line 28a or 28b? <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 on Schedule O for Part VI, lines 11b and 19? | X | |

Note: All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

| | Yes | No |
|---|-----|----|
| 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 on 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 | | 1263 |
| b | If at least one is reported on line 2a, did the organization file all required federal employment tax returns? | X | |
| 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? <i>If "No" to line 3b, provide an explanation on Schedule O</i> | | |
| 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? Note: See the instructions for additional information the organization must report on Schedule O. | 13a | |
| b | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans | 13b | |
| c | Enter the amount of reserves on hand | 13c | |
| 14a | Did the organization receive any payments for indoor tanning services during the tax year? | | X |
| b | If "Yes," has it filed a Form 720 to report these payments? <i>If "No," provide an explanation on Schedule O</i> | 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? If "Yes," see the instructions and file Form 4720, Schedule N. | 15 | X |
| 16 | Is the organization an educational institution subject to the section 4968 excise tax on net investment income? If "Yes," complete Form 4720, Schedule O. | 16 | X |
| 17 | Section 501(c)(21) organizations. Did the trust, or any disqualified or other person engage in any activities that would result in the imposition of an excise tax under section 4951, 4952 or 4953? If "Yes," complete Form 6069. | 17 | |

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 on 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 on Schedule O. | | |
| | 1a 15 | | |
| b | Enter the number of voting members included on line 1a, above, who are independent | | |
| | 1b 13 | | |
| 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, 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 on 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 on 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 on Schedule O how this was done | X | |
| 12c | | | |
| 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 on 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 | | | |

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed None
- 18** Section 6104 requires an organization to make its Forms 1023 (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 on Schedule O)
- 19** Describe on 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 A. 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 the 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, box 6 of Form 1099-MISC, and/or box 1 of Form 1099-NEC) 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.
- See the instructions for the order in which to list the persons above.

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/1099-NEC) | (E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC) | (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) Julie Lutt CFO Avera Health; Secretary/Treasurer | 0.10 46.30 | | | X | | | 0. | 1,086,452. | 17,088. | |
| (2) Steve Gutnik, MD, FACP Gastroenterology & Internal Medicine | 40.00 0.00 | | | | | X | 869,935. | 0. | 27,270. | |
| (3) Ryan Sieg, MD Orthopedics, Surgery & Sports Medicine | 40.00 0.00 | | | | | X | 782,142. | 0. | 46,560. | |
| (4) Derrick Doolittle, MD Diagnostic Radiology & Radiology | 40.00 0.00 | | | | | X | 733,115. | 0. | 54,311. | |
| (5) Douglas Ekeren President/CEO | 42.00 7.00 | X | | X | | | 0. | 704,190. | 46,432. | |
| (6) Adam Strehle, MD Family Medicine/OB | 40.00 0.00 | | | | | X | 677,569. | 0. | 46,461. | |
| (7) Michael Peterson, MD Radiation Oncology & Oncology | 40.00 0.00 | | | | | X | 644,352. | 0. | 39,601. | |
| (8) Anthony Erickson VP - Senior Services | 40.00 0.00 | | | | | X | 204,761. | 0. | 36,273. | |
| (9) Lindsay Flannery VP - Patient Care Services | 40.00 0.00 | | | | | X | 211,601. | 0. | 10,864. | |
| (10) Brian Steward Chair | 2.00 0.00 | X | | X | | | 0. | 0. | 0. | |
| (11) Kathy Greenaway Vice Chair | 2.00 0.00 | X | | X | | | 0. | 0. | 0. | |
| (12) Carolyn Becker Board Member | 2.00 0.00 | X | | | | | 0. | 0. | 0. | |
| (13) Bernie Hunhoff Board Member | 2.00 0.00 | X | | | | | 0. | 0. | 0. | |
| (14) Jack Hurley Board Member | 2.00 0.00 | X | | | | | 0. | 0. | 0. | |
| (15) Sr. Debra Kolecka Board Member | 2.00 6.00 | X | | | | | 0. | 0. | 0. | |
| (16) Amy Leon Board Member | 2.00 0.00 | X | | | | | 0. | 0. | 0. | |
| (17) Tom Lorang, Ed.D Board Member | 2.00 0.00 | X | | | | | 0. | 0. | 0. | |

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

| (A) Name and title | (B) Average hours per week (list any hours for related organizations below line) | (C) Position (do not check more than one box, unless person is both an officer and a director/trustee) | | | | | | (D) Reportable compensation from the organization (W-2/1099-MISC/1099-NEC) | (E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC) | (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) Beth Mikkelsen, MD Board Member | 2.00 0.00 | X | | | | | | 0. | 0. | 0. |
| (19) Steve Schindler Board Member | 2.00 0.00 | X | | | | | | 0. | 0. | 0. |
| (20) Steve Schmeichel Board Member | 2.00 0.00 | X | | | | | | 0. | 0. | 0. |
| (21) Sr. Roxanne Seifert Board Member | 2.00 7.00 | X | | | | | | 0. | 0. | 0. |
| (22) Richard Strom, MD Board Member | 2.00 0.00 | X | | | | | | 0. | 0. | 0. |
| (23) Sr. Lucille Welbig Board Member | 2.00 5.00 | X | | | | | | 0. | 0. | 0. |
| 1b Subtotal | | | | | | | | 4,123,475. | 1,790,642. | 324,860. |
| c Total from continuation sheets to Part VII, Section A | | | | | | | | 0. | 0. | 0. |
| d Total (add lines 1b and 1c) | | | | | | | | 4,123,475. | 1,790,642. | 324,860. |

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 91

| | Yes | No |
|--|-----|----|
| 3 Did the organization list any former officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> | | 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? <i>If "Yes," complete Schedule J for such individual</i> | 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? <i>If "Yes," complete Schedule J for such person</i> | | X |

Section B. Independent Contractors

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

| (A) Name and business address | (B) Description of services | (C) Compensation |
|---|--------------------------------|---------------------|
| Avera Health, 3900 W Avera Dr Ste 301, Sioux Falls, SD 57108 | Shared Services | 14,432,570. |
| AMN Healthcare Inc 12400 High Bluff Dr, San Diego, CA 92130 | Staffing Services | 2,299,672. |
| Yankton Medical Clinic PC 1104 W 8th St, Yankton, SD 57078 | Physician Services | 1,725,170. |
| Wilcockson Eye Association PO Box 819, Yankton, SD 57078 | Medical Services | 1,152,598. |
| Restorix Health Inc, 3445 N Causeway Blvd Ste 600, Metairie, LA 70002 | Professional Services | 775,341. |

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 24

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 | 83,769. | | | | |
| | e Government grants (contributions) | 1e | 1,584,985. | | | | |
| | f All other contributions, gifts, grants, and similar amounts not included above ... | 1f | 43,606. | | | | |
| | g Noncash contributions included in lines 1a-1f | 1g | \$ | | | | |
| | h Total. Add lines 1a-1f | | | 1,712,360. | | | |
| Program Service Revenue | 2 a Net Patient Service Revenue | Business Code | | | | | |
| | | 621110 | 139405391. | 139405391. | | | |
| | b Pharmacy Revenue | 456110 | 1,456,886. | 1,456,886. | | | |
| | c Patient and Clinic Revenue | 621110 | 346,569. | 346,569. | | | |
| | d | | | | | | |
| | e | | | | | | |
| | f All other program service revenue | 900099 | 3,006,121. | 3,006,121. | | | |
| g Total. Add lines 2a-2f | | | 144214967. | | | | |
| Other Revenue | 3 Investment income (including dividends, interest, and other similar amounts) | | 61,725. | | | 61,725. | |
| | 4 Income from investment of tax-exempt bond proceeds | | | | | | |
| | 5 Royalties | | | | | | |
| | 6 a Gross rents | 6a | (i) Real | | | | |
| | | | (ii) Personal | | | | |
| | | | 541,320. | | | | |
| | b Less: rental expenses ... | 6b | 283,978. | | | | |
| | c Rental income or (loss) | 6c | 257,342. | | | | |
| | d Net rental income or (loss) | | | 257,342. | | 257,342. | |
| | 7 a Gross amount from sales of assets other than inventory | 7a | (i) Securities | | | | |
| | | | (ii) Other | | | | |
| | | | 2,128,863. | 29,443. | | | |
| | b Less: cost or other basis and sales expenses | 7b | 0. | 0. | | | |
| | c Gain or (loss) | 7c | 2,128,863. | 29,443. | | | |
| d Net gain or (loss) | | | 2,158,306. | | 2158306. | | |
| 8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 | 8a | | | | | | |
| | 8b | | | | | | |
| c Net income or (loss) from fundraising events | | | | | | | |
| 9 a Gross income from gaming activities. See Part IV, line 19 | 9a | | | | | | |
| | 9b | | | | | | |
| c Net income or (loss) from gaming activities | | | | | | | |
| 10 a Gross sales of inventory, less returns and allowances | 10a | | | | | | |
| | | | | | | | |
| | | | | | | | |
| b Less: cost of goods sold | 10b | | | | | | |
| c Net income or (loss) from sales of inventory | | | | | | | |
| Miscellaneous Revenue | 11 a A/R Interest Income | Business Code | | | | | |
| | | 900099 | 18,946. | 18,946. | | | |
| | b | | | | | | |
| | c | | | | | | |
| | d All other revenue | | | | | | |
| e Total. Add lines 11a-11d | | | 18,946. | | | | |
| 12 Total revenue. See instructions | | | 148423646. | 144233913. | 0. | 2477373. | |

Part IX Statement of Functional Expenses

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

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

| Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII. | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
|---|-----------------------|---------------------------------|--|-----------------------------|
| 1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 ... | 166,155. | 166,155. | | |
| 2 Grants and other assistance to domestic individuals. See Part IV, line 22 | | | | |
| 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 | 489,670. | | 489,670. | |
| 6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | 306,046. | 306,046. | | |
| 7 Other salaries and wages | 59,196,993. | 58,537,331. | 659,662. | |
| 8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) | 2,211,207. | 2,160,021. | 51,186. | |
| 9 Other employee benefits | 9,403,694. | 9,220,603. | 183,091. | |
| 10 Payroll taxes | 3,983,075. | 3,849,681. | 133,394. | |
| 11 Fees for services (nonemployees): | | | | |
| a Management | | | | |
| b Legal | 22,253. | | 22,253. | |
| c Accounting | | | | |
| d Lobbying | 7,542. | | 7,542. | |
| 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.) | 29,182,153. | 19,541,868. | 9,640,256. | 29. |
| 12 Advertising and promotion | 12,447. | 9,720. | 2,727. | |
| 13 Office expenses | 1,527,231. | 1,158,959. | 367,864. | 408. |
| 14 Information technology | 514,645. | 465,554. | 49,091. | |
| 15 Royalties | | | | |
| 16 Occupancy | 3,074,401. | 2,872,019. | 202,382. | |
| 17 Travel | 325,316. | 313,579. | 11,737. | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials ... | | | | |
| 19 Conferences, conventions, and meetings | 225,374. | 204,274. | 21,100. | |
| 20 Interest | 1,553,728. | 438,069. | 1,115,659. | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | 7,150,782. | 5,500,643. | 1,648,211. | 1,928. |
| 23 Insurance | 691,158. | 156,338. | 534,820. | |
| 24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A), amount, list line 24e expenses on Schedule O.) | | | | |
| a Medical Supplies | 22,995,582. | 22,964,502. | 31,080. | |
| b Equipment Lease/Rental | 110,940. | 108,169. | 2,771. | |
| c | | | | |
| d | | | | |
| e All other expenses | 1,322,317. | 1,142,385. | 171,517. | 8,415. |
| 25 Total functional expenses. Add lines 1 through 24e | 144,472,709. | 129,115,916. | 15,346,013. | 10,780. |
| 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 <input type="checkbox"/> 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 | 2,699,257. | 2 | 1,509,292. |
| | 3 Pledges and grants receivable, net | | 3 | |
| | 4 Accounts receivable, net | 19,223,179. | 4 | 18,726,513. |
| | 5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons | | 5 | |
| | 6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B) | | 6 | |
| | 7 Notes and loans receivable, net | | 7 | |
| | 8 Inventories for sale or use | 2,562,008. | 8 | 2,712,631. |
| | 9 Prepaid expenses and deferred charges | 1,064,659. | 9 | 836,106. |
| | 10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D | 10a 176,879,224. | | |
| | b Less: accumulated depreciation | 10b 121,350,112. | 59,102,374. | 10c 55,529,112. |
| | 11 Investments - publicly traded securities | | 11 | |
| | 12 Investments - other securities. See Part IV, line 11 | 288,812,533. | 12 | 311,089,730. |
| | 13 Investments - program-related. See Part IV, line 11 | 1,075,779. | 13 | 1,900,608. |
| | 14 Intangible assets | 6,897,639. | 14 | 6,827,460. |
| | 15 Other assets. See Part IV, line 11 | 756,445. | 15 | 508,553. |
| 16 Total assets. Add lines 1 through 15 (must equal line 33) | 382,193,873. | 16 | 399,640,005. | |
| Liabilities | 17 Accounts payable and accrued expenses | 11,211,735. | 17 | 9,405,538. |
| | 18 Grants payable | | 18 | |
| | 19 Deferred revenue | 671,150. | 19 | 88,899. |
| | 20 Tax-exempt bond liabilities | 40,629,381. | 20 | 38,970,243. |
| | 21 Escrow or custodial account liability. Complete Part IV of Schedule D | 104,880. | 21 | 56,259. |
| | 22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons | | 22 | |
| | 23 Secured mortgages and notes payable to unrelated third parties | | 23 | |
| | 24 Unsecured notes and loans payable to unrelated third parties | | 24 | |
| | 25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D | 1,873,800. | 25 | 1,063,472. |
| | 26 Total liabilities. Add lines 17 through 25 | 54,490,946. | 26 | 49,584,411. |
| Net Assets or Fund Balances | Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33. | | | |
| | 27 Net assets without donor restrictions | 315,209,674. | 27 | 336,728,564. |
| | 28 Net assets with donor restrictions | 12,493,253. | 28 | 13,327,030. |
| | Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33. | | | |
| | 29 Capital stock or trust principal, or current funds | | 29 | |
| | 30 Paid-in or capital surplus, or land, building, or equipment fund | | 30 | |
| | 31 Retained earnings, endowment, accumulated income, or other funds | | 31 | |
| | 32 Total net assets or fund balances | 327,702,927. | 32 | 350,055,594. |
| | 33 Total liabilities and net assets/fund balances | 382,193,873. | 33 | 399,640,005. |

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 | 148,423,646. |
| 2 | Total expenses (must equal Part IX, column (A), line 25) | 2 | 144,472,709. |
| 3 | Revenue less expenses. Subtract line 2 from line 1 | 3 | 3,950,937. |
| 4 | Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A)) | 4 | 327,702,927. |
| 5 | Net unrealized gains (losses) on investments | 5 | 17,147,736. |
| 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 on Schedule O) | 9 | 1,253,994. |
| 10 | Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B)) | 10 | 350,055,594. |

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 on 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 |
| b Were the organization's financial statements audited by an independent accountant? _____ If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis | X | |
| c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? _____ If the organization changed either its oversight process or selection process during the tax year, explain on 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 Uniform Guidance, 2 C.F.R. Part 200, Subpart F? _____ | X | |
| b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits _____ | X | |

SCHEDULE A
(Form 990)

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

2022

Open to Public Inspection

| | |
|---|---|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

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

The organization is not a private foundation because it is: (For lines 1 through 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).)
- 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 on 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 | | |
| | | | | | | |
| | | | | | | |
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| | | | | | | |
| 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) 2018 | (b) 2019 | (c) 2020 | (d) 2021 | (e) 2022 | (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) 2018 | (b) 2019 | (c) 2020 | (d) 2021 | (e) 2022 | (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 5 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 2022 (line 6, column (f), divided by line 11, column (f)) | 14 | % |
| 15 Public support percentage from 2021 Schedule A, Part II, line 14 | 15 | % |
| 16a 33 1/3% support test - 2022. 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 - 2021. 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 - 2022. 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 - 2021. 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) 2018 | (b) 2019 | (c) 2020 | (d) 2021 | (e) 2022 | (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) 2018 | (b) 2019 | (c) 2020 | (d) 2021 | (e) 2022 | (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 on 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 5 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 2022 (line 8, column (f), divided by line 13, column (f)) | 15 | % |
| 16 Public support percentage from 2021 Schedule A, Part III, line 15 | 16 | % |

Section D. Computation of Investment Income Percentage

| | | |
|--|-----------|---|
| 17 Investment income percentage for 2022 (line 10c, column (f), divided by line 13, column (f)) | 17 | % |
| 18 Investment income percentage from 2021 Schedule A, Part III, line 17 | 18 | % |

19a 33 1/3% support tests - 2022. 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 - 2021. 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 on line 12 of Part I. If you checked box 12a, Part I, complete Sections A and B. If you checked box 12b, Part I, complete Sections A and C. If you checked box 12c, Part I, complete Sections A, D, and E. If you checked box 12d, 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 lines 3b and 3c 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 box 12a or 12b in Part I, answer lines 4b and 4c 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 lines 5b and 5c 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).</i> | | |
| 8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described on line 7? <i>If "Yes," complete Part I of Schedule L (Form 990).</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 on 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 on 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 line 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 on lines 11b and 11c below, the governing body of a supported organization? | | |
| b A family member of a person described on line 11a above? | | |
| c A 35% controlled entity of a person described on line 11a or 11b above? <i>If "Yes" to line 11a, 11b, or 11c, provide detail in Part VI.</i> | | |
| 11a | | |
| 11b | | |
| 11c | | |

Section B. Type I Supporting Organizations

| | Yes | No |
|---|-----|----|
| 1 Did the governing body, members of the governing body, officers acting in their official capacity, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's officers, directors, or trustees at all times during the tax year? <i>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 officers, directors, or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i> | | |
| 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? <i>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.</i> | | |
| 1 | | |
| 2 | | |

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)? <i>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).</i> | | |
| 1 | | |

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? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i> | | |
| 3 By reason of the relationship described on line 2, above, 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? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i> | | |
| 1 | | |
| 2 | | |
| 3 | | |

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 governmental entity (see instructions). | | |
| 2 Activities Test. Answer lines 2a and 2b below. | | |
| 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? <i>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.</i> | | |
| b Did the activities described on line 2a, above, constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>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.</i> | | |
| 3 Parent of Supported Organizations. Answer lines 3a and 3b 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? <i>If "Yes" or "No" provide details in Part VI.</i> | | |
| b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i> | | |
| 2a | | |
| 2b | | |
| 3a | | |
| 3b | | |

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 (<i>explain in detail in Part VI</i>): | | |
| 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 0.015 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 0.035. | 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 0.85 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 | 1 |
| 2 | Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity | 2 |
| 3 | Administrative expenses paid to accomplish exempt purposes of supported organizations | 3 |
| 4 | Amounts paid to acquire exempt-use assets | 4 |
| 5 | Qualified set-aside amounts (prior IRS approval required - provide details in Part VI) | 5 |
| 6 | Other distributions (describe in Part VI). See instructions. | 6 |
| 7 | Total annual distributions. Add lines 1 through 6. | 7 |
| 8 | Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions. | 8 |
| 9 | Distributable amount for 2022 from Section C, line 6 | 9 |
| 10 | Line 8 amount divided by line 9 amount | 10 |

| Section E - Distribution Allocations (see instructions) | (i) Excess Distributions | (ii) Underdistributions Pre-2022 | (iii) Distributable Amount for 2022 |
|---|---|--|---|
| 1 | Distributable amount for 2022 from Section C, line 6 | | |
| 2 | Underdistributions, if any, for years prior to 2022 (reasonable cause required - explain in Part VI). See instructions. | | |
| 3 | Excess distributions carryover, if any, to 2022 | | |
| a | From 2017 | | |
| b | From 2018 | | |
| c | From 2019 | | |
| d | From 2020 | | |
| e | From 2021 | | |
| f | Total of lines 3a through 3e | | |
| g | Applied to underdistributions of prior years | | |
| h | Applied to 2022 distributable amount | | |
| i | Carryover from 2017 not applied (see instructions) | | |
| j | Remainder. Subtract lines 3g, 3h, and 3i from line 3f. | | |
| 4 | Distributions for 2022 from Section D, line 7: \$ | | |
| a | Applied to underdistributions of prior years | | |
| b | Applied to 2022 distributable amount | | |
| c | Remainder. Subtract lines 4a and 4b from line 4. | | |
| 5 | Remaining underdistributions for years prior to 2022, 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 2022. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions. | | |
| 7 | Excess distributions carryover to 2023. Add lines 3j and 4c. | | |
| 8 | Breakdown of line 7: | | |
| a | Excess from 2018 | | |
| b | Excess from 2019 | | |
| c | Excess from 2020 | | |
| d | Excess from 2021 | | |
| e | Excess from 2022 | | |

Part VI

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

Multiple horizontal lines for providing supplemental information.

Schedule B
(Form 990)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Attach to Form 990 or Form 990-PF.
Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2022

Name of the organization

Sacred Heart Health Services

Employer identification number

46-0225483

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

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

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

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

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

501(c)(3) taxable private foundation

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

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

General Rule

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

Special Rules

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

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

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

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

| | |
|---|---|
| Name of organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Total contributions | (d) Type of contribution |
|------------|-----------------------------------|----------------------------|---|
| 1 | <hr/> <hr/> <hr/> | \$ <u>83,769.</u> | Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | <hr/> <hr/> <hr/> | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | <hr/> <hr/> <hr/> | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | <hr/> <hr/> <hr/> | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | <hr/> <hr/> <hr/> | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | <hr/> <hr/> <hr/> | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |
| | <hr/> <hr/> <hr/> | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.) |

| | |
|---|---|
| Name of organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

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

| | |
|---|---|
| Name of organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

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

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

SCHEDULE C
(Form 990)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2022

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

Sacred Heart Health Services

Employer identification number

46-0225483

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

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political 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-. |
|----------|-------------|---------|---|--|
| | | | | |
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For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990) 2022

LHA

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 (grassroots 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: 50%; text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="width: 50%; text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table> | If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: | Not over \$500,000 | 20% of the amount on line 1e. | Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000. | Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000. | Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000. | Over \$17,000,000 | \$1,000,000. | | |
| If the amount on line 1e, column (a) or (b) is: | The lobbying nontaxable amount is: | | | | | | | | | | | | | |
| Not over \$500,000 | 20% of the amount on line 1e. | | | | | | | | | | | | | |
| Over \$500,000 but not over \$1,000,000 | \$100,000 plus 15% of the excess over \$500,000. | | | | | | | | | | | | | |
| Over \$1,000,000 but not over \$1,500,000 | \$175,000 plus 10% of the excess over \$1,000,000. | | | | | | | | | | | | | |
| Over \$1,500,000 but not over \$17,000,000 | \$225,000 plus 5% of the excess over \$1,500,000. | | | | | | | | | | | | | |
| Over \$17,000,000 | \$1,000,000. | | | | | | | | | | | | | |
| 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) 2019 | (b) 2020 | (c) 2021 | (d) 2022 | (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)).

| | (a) | | (b) |
|---|-----|----|--------|
| | Yes | No | Amount |
| For each "Yes" response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity. | | | |
| 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? | | | |
| b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)? | | | |
| c Media advertisements? | | | |
| d Mailings to members, legislators, or the public? | | | |
| e Publications, or published or broadcast statements? | | | |
| f Grants to other organizations for lobbying purposes? | | | |
| g Direct contact with legislators, their staffs, government officials, or a legislative body? | | | |
| h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means? | | | |
| i Other activities? | X | | 7,542. |
| j Total. Add lines 1c through 1i | | | 7,542. |
| 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 expenditures 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:

Sacred Heart Health Services 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

2022

Open to Public Inspection

Name of the organization Sacred Heart Health Services Employer identification number 46-0225483

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

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include total number at end of year, aggregate value of contributions, grants, and end of year, and two Yes/No questions regarding donor property and grant fund usage.

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

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include purpose of easements, total number and acreage, number of easements on historic structures, and monitoring expenses. Includes a sub-table for 'Held at the End of the Tax Year' with rows 2a, 2b, 2c, and 2d.

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.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include questions about reporting art and historical treasures, and a table for amounts related to these items (Revenue and Assets).

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 make 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 program
 - 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 | 807,800. | 799,040. | 778,088. | 747,239. | 713,075. |
| b Contributions | 8,389. | 9,465. | 21,096. | 31,029. | 37,964. |
| c Net investment earnings, gains, and losses | | | | | |
| d Grants or scholarships | | | | | |
| e Other expenditures for facilities and programs | 14. | 705. | 144. | 180. | 3,800. |
| f Administrative expenses | | | | | |
| g End of year balance | 816,175. | 807,800. | 799,040. | 778,088. | 747,239. |

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment 0.0000 %
 - b Permanent endowment 82.8483 %
 - c Term endowment 17.1517 %
- 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 | | X |
| (ii) Related organizations | X | |
- b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?
- 4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

| Description of property | (a) Cost or other basis (investment) | (b) Cost or other basis (other) | (c) Accumulated depreciation | (d) Book value |
|--|--------------------------------------|---------------------------------|------------------------------|----------------|
| 1a Land | | 4,355,594. | | 4,355,594. |
| b Buildings | | 118,961,194. | 80,693,820. | 38,267,374. |
| c Leasehold improvements | | | | |
| d Equipment | | 46,371,301. | 35,451,022. | 10,920,279. |
| e Other | | 7,191,135. | 5,205,270. | 1,985,865. |
| Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.) | | | | 55,529,112. |

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) Avera Pooled Investments | 296,397,083. | End-of-Year Market Value |
| (B) Interest in Avera Health | | |
| (C) Foundation | 14,692,647. | End-of-Year Market Value |
| (D) | | |
| (E) | | |
| (F) | | |
| (G) | | |
| (H) | | |
| Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) | 311,089,730. | |

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) Derivative Liability | 130,658. |
| (3) Intercompany Liabilities | 780,837. |
| (4) Right of Use Operating Lease | |
| (5) Obligations | 29,636. |
| (6) Security Deposits | 85,000. |
| (7) Other liabilities | 37,341. |
| (8) | |
| (9) | |
| Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) | 1,063,472. |

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 FASB 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:

Resident trust funds are held on behalf of the residents.

Part V, line 4:

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

The endowment fund calculation was changed in current year and all amounts

Part XIII Supplemental Information *(continued)*

for prior years have been updated to properly reflect the new calculation.

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)**

Department of the Treasury
Internal Revenue Service

Hospitals

Complete if the organization answered "Yes" on Form 990, Part IV, question 20a.
Attach to Form 990.

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

OMB No. 1545-0047

2022

Open to Public Inspection

| | |
|---|---|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

Part I Financial Assistance and Certain Other Community Benefits at Cost

| | Yes | No |
|--|-------------------------------------|-------------------------------------|
| 1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a | <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 <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>250</u> % | <input checked="" type="checkbox"/> | |
| b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ % | <input checked="" type="checkbox"/> | |
| 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? | | |
| 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? | <input checked="" type="checkbox"/> | |

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

7 Financial Assistance and Certain Other Community Benefits at Cost

| | (a) Number of activities or programs (optional) | (b) Persons served (optional) | (c) Total community benefit expense | (d) Direct offsetting revenue | (e) Net community benefit expense | (f) Percent of total expense |
|--|---|-------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------------|
| Financial Assistance and Means-Tested Government Programs | | | | | | |
| a Financial Assistance at cost (from Worksheet 1) | | | 611,504. | | 611,504. | .42% |
| b Medicaid (from Worksheet 3, column a) | | | 16536948. | 11536274. | 5000674. | 3.46% |
| c Costs of other means-tested government programs (from Worksheet 3, column b) | | | 190,790. | 101,293. | 89,497. | .06% |
| d Total. Financial Assistance and Means-Tested Government Programs | | | 17339242. | 11637567. | 5701675. | 3.94% |
| Other Benefits | | | | | | |
| e Community health improvement services and community benefit operations (from Worksheet 4) | | | 422,022. | | 422,022. | .29% |
| f Health professions education (from Worksheet 5) | | | 36,665. | | 36,665. | .03% |
| g Subsidized health services (from Worksheet 6) | | | 1242547. | 30,601. | 1211946. | .84% |
| h Research (from Worksheet 7) | | | | | | |
| i Cash and in-kind contributions for community benefit (from Worksheet 8) | | | 109,763. | | 109,763. | .08% |
| j Total. Other Benefits | | | 1810997. | 30,601. | 1780396. | 1.24% |
| k Total. Add lines 7d and 7j | | | 19150239. | 11668168. | 7482071. | 5.18% |

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.

Table with 6 columns: (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. Rows include Physical improvements and housing, Economic development, Community support, Environmental improvements, Leadership development and training for community members, Coalition building, Community health improvement advocacy, Workforce development, Other, and Total.

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

Table for Section A with 3 columns: Question, Yes, No. Row 1: Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? Yes: X. Row 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 | 5,567,497. Row 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.

Section B. Medicare

Table for Section B with 3 columns: Question, Yes, No. Row 5: Enter total revenue received from Medicare (including DSH and IME). 5 | 34,410,418. Row 6: Enter Medicare allowable costs of care relating to payments on line 5. 6 | 32,082,776. Row 7: Subtract line 6 from line 5. This is the surplus (or shortfall). 7 | 2,327,642. Row 8: Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: [] Cost accounting system [] Cost to charge ratio [X] Other.

Section C. Collection Practices

Table for Section C with 3 columns: Question, Yes, No. Row 9a: Did the organization have a written debt collection policy during the tax year? 9a | X. Row 9b: If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI. 9b | X.

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

Table with 5 columns: (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 (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 Sacred Heart Hospital

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? | 1 | | 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 | 2 | | 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 | 3 | 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>21</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 | 5 | 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 | 6a | | 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 | 6b | | X |
| 7 Did the hospital facility make its CHNA report widely available to the public? | 7 | X | |
| If "Yes," indicate how the CHNA report was made widely available (check all that apply): | | | |
| a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>See part V Section C</u> | | | |
| b <input checked="" type="checkbox"/> Other website (list url): <u>See Part V Section C</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 | 8 | X | |
| 9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>21</u> | | | |
| 10 Is the hospital facility's most recently adopted implementation strategy posted on a website? | 10 | X | |
| a If "Yes," (list url): <u>See Part V Section C</u> | | | |
| b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return? | 10b | | |
| 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)? | 12a | | X |
| b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax? | 12b | | |
| 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 Sacred Heart Hospital

| | Yes | No |
|--|----------|----|
| Did the hospital facility have in place during the tax year a written financial assistance policy that: | | |
| 13 Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? | X | |
| If "Yes," indicate the eligibility criteria explained in the FAP: | | |
| a <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>250</u> % and FPG family income limit for eligibility for discounted care of <u>400</u> % | | |
| b <input type="checkbox"/> Income level other than FPG (describe in Section C) | | |
| c <input checked="" type="checkbox"/> Asset level | | |
| d <input checked="" type="checkbox"/> Medical indigency | | |
| e <input checked="" type="checkbox"/> Insurance status | | |
| f <input type="checkbox"/> Underinsurance status | | |
| g <input type="checkbox"/> Residency | | |
| h <input checked="" type="checkbox"/> Other (describe in Section C) | | |
| 14 Explained the basis for calculating amounts charged to patients? | X | |
| 15 Explained the method for applying for financial assistance? | X | |
| If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply): | | |
| a <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application | | |
| 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 | | |
| 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 | | |
| d <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications | | |
| e <input type="checkbox"/> Other (describe in Section C) | | |
| 16 Was widely publicized within the community served by the hospital facility? | X | |
| If "Yes," indicate how the hospital facility publicized the policy (check all that apply): | | |
| a <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>See Part V Section C</u> | | |
| b <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>See Part V Section C</u> | | |
| c <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>See Part V Section C</u> | | |
| d <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail) | | |
| 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) | | |
| 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) | | |
| 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 | | |
| h <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP | | |
| 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 | | |
| j <input checked="" type="checkbox"/> Other (describe in Section C) | | |

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group: Avera Sacred Heart Hospital

| | Yes | No |
|--|----------|----------|
| <p>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?</p> | X | |
| <p>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:</p> <p>a <input type="checkbox"/> Reporting to credit agency(ies)</p> <p>b <input type="checkbox"/> Selling an individual's debt to another party</p> <p>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</p> <p>d <input type="checkbox"/> Actions that require a legal or judicial process</p> <p>e <input type="checkbox"/> Other similar actions (describe in Section C)</p> <p>f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted</p> | | |
| <p>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?</p> <p>If "Yes," check all actions in which the hospital facility or a third party engaged:</p> <p>a <input type="checkbox"/> Reporting to credit agency(ies)</p> <p>b <input type="checkbox"/> Selling an individual's debt to another party</p> <p>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</p> <p>d <input type="checkbox"/> Actions that require a legal or judicial process</p> <p>e <input type="checkbox"/> Other similar actions (describe in Section C)</p> | | X |
| <p>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):</p> <p>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)</p> <p>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)</p> <p>c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)</p> <p>d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)</p> <p>e <input checked="" type="checkbox"/> Other (describe in Section C)</p> <p>f <input type="checkbox"/> None of these efforts were made</p> | | |

Policy Relating to Emergency Medical Care

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

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 Sacred Heart Hospital

| | Yes | No |
|--|-----------|----------|
| <p>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:</p> <p>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</p> <p>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</p> <p>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</p> <p>d <input type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method</p> | | |
| <p>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?</p> <p>If "Yes," explain in Section C.</p> | 23 | X |
| <p>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?</p> <p>If "Yes," explain in Section C.</p> | 24 | X |

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 Creighton Hospital

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 2

| | 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>21</u> | | |
| 5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted | X | |
| 6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C | | X |
| b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C | X | |
| 7 Did the hospital facility make its CHNA report widely available to the public? | X | |
| If "Yes," indicate how the CHNA report was made widely available (check all that apply): | | |
| a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>See Part V Section C</u> | | |
| b <input checked="" type="checkbox"/> Other website (list url): <u>See Part V Section C</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>21</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 Section C</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 Creighton Hospital

| | Yes | No |
|--|----------|----|
| Did the hospital facility have in place during the tax year a written financial assistance policy that: | | |
| 13 Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? | X | |
| If "Yes," indicate the eligibility criteria explained in the FAP: | | |
| a <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>250</u> % and FPG family income limit for eligibility for discounted care of <u>400</u> % | | |
| b <input type="checkbox"/> Income level other than FPG (describe in Section C) | | |
| c <input checked="" type="checkbox"/> Asset level | | |
| d <input checked="" type="checkbox"/> Medical indigency | | |
| e <input checked="" type="checkbox"/> Insurance status | | |
| f <input type="checkbox"/> Underinsurance status | | |
| g <input type="checkbox"/> Residency | | |
| h <input checked="" type="checkbox"/> Other (describe in Section C) | | |
| 14 Explained the basis for calculating amounts charged to patients? | X | |
| 15 Explained the method for applying for financial assistance? | X | |
| If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply): | | |
| a <input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application | | |
| 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 | | |
| 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 | | |
| d <input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications | | |
| e <input type="checkbox"/> Other (describe in Section C) | | |
| 16 Was widely publicized within the community served by the hospital facility? | X | |
| If "Yes," indicate how the hospital facility publicized the policy (check all that apply): | | |
| a <input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>See Part V Section C</u> | | |
| b <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>See Part V Section C</u> | | |
| c <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>See Part V Section C</u> | | |
| d <input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail) | | |
| 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) | | |
| 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) | | |
| 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 | | |
| h <input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP | | |
| 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 | | |
| j <input checked="" type="checkbox"/> Other (describe in Section C) | | |

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group: Avera Creighton Hospital

| | 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 Creighton Hospital

| | 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 Sacred Heart Hospital:

Part V, Section B, Line 5: Avera Sacred Heart utilized aspects of the
Community Health Needs Assessment and Implementation Planning toolkit
developed by the South Dakota Department of Health and focus groups
conducted by Maximizing Excellence, LLC to conduct the FY2022 Community
Health Needs Assessment. The process involved determining the
participant's opinions on the community's strengths, weaknesses,
resources, and improvements. Careful consideration was taken to ensure
that input gathered was representative of the community at large including
the medically underserved, low-income or minority populations.

Avera Creighton Hospital:

Part V, Section B, Line 5: Avera Creighton Hospital, in collaboration
with the North Central District Health Department (NCDHD), used community
stakeholder meetings, a focus group meeting and surveys to determine the
community's strengths, weaknesses, resources and improvements. Those
providing community input represented the medically underserved,
low-income and minority populations as they serve with these populations
through their activities.

Avera Creighton Hospital:

Part V, Section B, Line 6b: North Central District Health Department
Holt County Economic Development
Northstar

Valentine Community School

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.

Central Nebraska Community Action Partnership

Proteus, Inc. Services to Empower Farmworkers

Legal Aid of Nebraska

O'Neill Public Schools

Avera Sacred Heart Hospital:

Part V, Section B, Line 11: Avera Sacred Heart conducted a community health needs assessment during FY2022. Two significant needs were identified and prioritized in the community health needs assessment process: Behavioral health and substance abuse/addiction and workforce and health care capacity.

The following actions were identified and prioritized community health needs:

BEHAVIORAL HEALTH AND SUBSTANCE ABUSE/ADDICTION

Increase community resources relating to behavioral health with special focus on substance abuse and addiction issues.

*Analyze the feasibility of an inpatient behavioral health unit at Avera Sacred Heart Hospital.

*Advocate for and support the Lewis and Clark Behavioral Health Services, Inc. residential chemical dependency program and unit. Avera Sacred Heart worked with Lewis and Clark Behavioral Health Services, Inc. to create space for their new C.O.R.E. Center located in the Avera Sacred Heart Benedictine Center. C.O.R.E. is an acronym for Crisis Outreach Response Engagement. C.O.R.E. opened in FY23 with five beds including one pediatric

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.

bed. It is designed to provide immediate, short term Crisis Intervention Services to individuals who have mental health and/or substance use problems. Lewis and Clark Behavioral Health Services, Inc. is working toward offering a detox unit.

*Advocate for and support the Lewis and Clark Behavioral Health Services, Inc. as they seek to build a new facility. Lewis and Clark Behavioral Health Services, Inc. broke ground on their new campus in FY23 with an estimated completion timeline for FY25.

*Actively recruit psychologists and/or psychiatrists with specialties in behavioral health.

*Implement the Avera's "Ask the Question: Are you thinking about suicide" campaign. The campaign has been integrated into the care delivery model at Avera Sacred Heart in FY23.

*Implement strategies identified through the Communities that Care grant program as appropriate and feasible. Due to the inability to recruit a grant coordinator, Avera Sacred Heart returned the grant dollars for the Communities that Care program.

*Implemented SBIRT (Screening, Brief Intervention, and Referral to Treatment), an evidence-based practice used to identify, reduce, and prevent problematic use, abuse, and dependence on alcohol and illicit drugs.

*Implement the Edinburgh Scale for depression and suicide screening for OB patients. Avera Sacred Heart implemented the Edinburgh Scale for depression and suicide screening for OB patients in FY23.

WORKFORCE AND HEALTH CARE CAPACITY

Increase workforce and health care capacity to adequately prepare Avera

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.

Sacred Heart to meet the future needs of the community.

*Further develop and implement an Avera Sacred Heart version of Avera Academy that fits the Yankton community. Avera Sacred Heart created the Avera Academy Camp in conjunction with the Yankton School District, Mount Marty University, and Yankton Thrive for high school students with two cohorts (eleven students) who have completed the camp so far.

*Further develop and implement the Avera Scholars program with Mount Marty University. Twelve nursing students were selected as Avera Scholars in FY23.

*Develop and implement an Avera Nurse Residency Program at Avera Sacred Heart for new college graduates. All eight new nurses who graduated in the Spring of 2022 participated in the new Avera Nurse Residency Program in FY23. To date, all are still with Avera Sacred Heart. The second cohort of new graduate nurses is currently participating in the program.

*Develop and implement a Nurse Recruitment Team with the Avera Sacred Heart Endowed Chair of Nursing recipient at Mount Marty University. The Avera Director of Talent Management and the Endowed Chair of Nursing at Mount Marty University have regularly scheduled meetings that began in FY23.

*Utilize Build Dakota Scholarships to build a workforce for Avera Sacred Heart in difficult to recruit positions. ASHH was unsuccessful in FY23 recruiting students interested in the Build Dakota Scholarships. ASHH had success in previous years with Surgical Tech and Lab Tech students. ASHH will continue to recruit students for this opportunity.

*Continue to promote the Avera Student Loan Program benefit and evaluate critical needs for eligibility with the program. Seventy staff members enrolled in the program in FY23. Three hundred seventy-nine job codes were

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.

identified as eligible for the program.

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

The following health needs were identified but were not selected for focus: Transportation and affordability.

Avera Sacred Heart is committed to providing high quality health care services to meet the needs of its service area. Although not the focus, Avera Sacred Heart is actively implementing cost saving initiatives to contain or minimize costs and will continue to advocate for increased transportation availability in the community.

Avera Creighton Hospital:

Part V, Section B, Line 11: Avera Creighton conducted a community health needs assessment during FY2022. The priority areas to be addressed by Avera Creighton include: Behavioral Health and Heart Health.

BEHAVIORAL HEALTH

FY2023 Update:

*Avera Creighton continued the screenings, education, counseling, transportation and other programs implemented under previous health need assessments.

*Avera has opened a behavioral health urgent care in Sioux Falls which has helped improve access.

*Avera Creighton also utilizes eEmergency for emergent behavioral 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.

assessments in the ED to determine if the patient truly needs to be transferred to a behavioral health center or is able to follow-up closely as an outpatient.

*Avera Creighton provided behavioral health education for health care providers and nursing staff through Avera Learning Center as well as regular discussions at medical staff and nursing staff meetings.

*Avera Creighton provided behavioral health education for the community at local farm and home shows as well as our health fair. Avera Creighton collaborated with the local school to provide behavioral health education on suicide at a health fair during a basketball game.

*Avera Creighton utilized media outlets to increase awareness of Mental Health and Suicide- through Avera's "Ask the Question" campaign that launched last fall.

HEART HEALTH

FY2023 Update:

*Avera Creighton continued screenings and programs implemented under previous health need assessments.

*Avera Creighton offered free blood pressure screenings at local farm and home shows as well as our health fair.

*Avera Creighton offered a patient education campaign focused on definition and treatment of hypertension at the local farm and home shows as well as the health fair.

*Avera Creighton collaborated with Northeast Community College on different classes they are able to offer in our community to increase the number of CPR certified members of the community.

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.

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

The following health needs were identified but will not be addressed; however, Avera Creighton Hospital will continue to assess and monitor the need through planning efforts to serve the health and well-being of the service area of the communities.

*No after-hours care options for non-emergent conditions outside of Emergency Department

Avera Creighton Hospital has limited staffing availability to expand clinic hours in the evening, which leaves the Emergency Department as the only option for after-hours care in the area.

*Unable to bring Planet Heart to our community at this time due to needing an expensive interface for our CT scanner to perform the calcium scoring. Will continue to consider in the future.

Avera Sacred Heart Hospital:

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 Creighton Hospital:

Part V, Section B, Line 13h: Presumptive charity care may be applied in

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.

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 Sacred Heart Hospital:

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

Avera Creighton Hospital:

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

Avera Sacred Heart Hospital:

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.

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 Creighton Hospital:

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 Sacred Heart Hospital:

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.

Avera Creighton Hospital:

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.

Part V, Section A organization's website

The website for Avera Sacred Heart Hospital is:

avera.org/locations/sacred-heart/

The website for Avera Creighton Hospital is:

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.org/locations/profile/avera-creighton-hospital](https://www.avera.org/locations/profile/avera-creighton-hospital)

Part V, Section B, Line 7a, 7b, and 10a:

www.avera.org/about/community-health-needs-assessments/#sacred

www.avera.org/about/community-health-needs-assessments/#creighton

Part V, Section B, Line 16a, 16b, and 16c:

[avera.org/patients-visitors/charity-patient-assistance-programs/
financial-assistance-forms/](https://www.avera.org/patients-visitors/charity-patient-assistance-programs/financial-assistance-forms/)

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

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

How many non-hospital health care facilities did the organization operate during the tax year? 7

| Name and address | Type of facility (describe) |
|---|-----------------------------|
| 1 Avera Sister James Care Center 2111 W 11th Street Yankton, SD 57078 | Skilled nursing facility |
| 2 Avera Sacred Heart Majestic Bluffs 2111 W 11th Street Yankton, SD 57078 | Assisted living |
| 3 Avera Sacred Heart Hospital-Swing Bed 501 Summit Street Yankton, SD 57078 | Swing Bed |
| 4 Avera Creighton Care Centre 1603 Main Street Creighton, NE 68729-2999 | Long Term Care |
| 5 Avera Sacred Heart Hospital-Dialysis 501 Summit Street Yankton, SD 57078 | Dialysis Unit |
| 6 AMG Gastroenterology 1104 West 8th Street Yankton, SD 57078 | Gastroenterology clinic |
| 7 AMG Willcockson Eye Associates 415 W Third Yankton, SD 57078 | Optical/Eye Clinic |
| | |
| | |
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| | |

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8, and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (for example, 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 6a:

The community benefit report is prepared by a related organization, Avera Health, and is available to the public at <https://www.avera.org/about/annual-report/>.

Part I, Line 7:

A combination of costing methodology was used to calculate the amounts reported in the table. A cost accounting system was used to calculate Medicaid and Means-tested Government Program expenses and shortfalls and Subsidized Health Services for our tertiary medical center. A cost to charge ratio derived from Worksheet 2, Ratio of Patient Care Cost-to-Charges was used to calculate charity care at cost for all

Part VI Supplemental Information (Continuation)

entities and Medicaid and Means-tested Government Program expenses and shortfalls and Subsidized Health Services for any operations outside of the tertiary medical center. For all other amounts, costs and revenues as reflected by the general ledger system were used.

Part II, Community Building Activities:

The community building activities include monetary assistance to organizations that focus their efforts on providing furniture for low income families, neighborhood improvement projects in high needs areas, children and youth development programs, local economic development, and job creation and training programs.

Part III, Line 2:

The amount on line 2 represents implicit price concessions. The Organization determines its estimate of implicit price concessions based on its historical collection experience with the respective class of patients and residents.

Part III, Line 4:

The footnote to the Organization's financial statements that describes implicit price concession is located in the audited financial statement report on pages 19 and 20.

Part III, Line 8:

Sacred Heart Health Services provides services to patients under the Medicare program knowing they may 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

Part VI Supplemental Information (Continuation)

services. Therefore, in years the costs associated with services provided under the Medicare program are not completely covered, 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. 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:

Avera Sacred Heart Hospital includes community members on committees, boards, and advisory groups to allow community reaction and input in the

Part VI Supplemental Information (Continuation)

actions we take. We also review all data provided by the health departments regarding disease rates, mortality, morbidity, population changes, etc. The hospital also conducts focus groups, consumer perception studies, and patient satisfaction surveys to identify primary needs of the community and responds with preventative/educational information or activities for the community.

Part VI, Line 3:

Uninsured patients who hold an inpatient status are counseled by a Patient Advocate to screen them for coverage eligibility and to assist in payer source enrollment. Those that are not eligible are provided a charity care application along with instructions on how to fill out the application. All patients receive statements that indicate who to contact should they need financial assistance. In addition, all patients receive a summary of financial assistance upon registration, as well as in their final statement. Should a patient contact Patient Financial Services and indicate inability to pay, they are transferred to a financial counselor to assist them with the financial assistance application process. Also, inpatient and same day surgery patients receive a brochure in their admissions packet. Pre-collection letters also include information regarding the financial assistance and uninsured programs.

Part VI, Line 4:

Avera Sacred Heart is a 99-bed hospital in Yankton, South Dakota. Avera Sacred Heart primarily serves the city and county of Yankton and the counties of Bon Homme, Charles Mix, Hutchinson and Clay in South Dakota and counties of Knox and Cedar in Nebraska. The majority of discharges are from Yankton County. According to the U.S. Census Bureau Quick Facts 2021

Part VI Supplemental Information (Continuation)

data, the estimated population of Yankton County as of July 1, 2021 is 23,297 and is predominately white at 91.6%. It is estimated that 20.1% of the population is 65 years and over. The median household income is \$61,878 with a 10.4% poverty rate. Uninsured individuals under age 65 is estimated at 12.6%.

Part VI, Line 5:

The Hospital board is comprised of individuals who represent the interests of the community served by the organization. The Hospital offers staff privileges to all qualified physicians in the community. Selected services such as Radiation Oncology and Swing-bed Services would not be available in our service area unless provided by the organization. The Hospital serves all individuals regardless of their ability to pay, providing 24 hours a day emergency service. The facility participates in the education of medical students from The University of South Dakota through their Yankton location. The Hospital also offers a 2-year Radiology Technologist program that graduates approximately 6 students per year. Sacred Heart Hospital also provides clinical education for Mount Marty University students. The Hospital is also proud of the fact that 128 individuals chose to volunteer at the hospital facility in Yankton during fiscal year 2023.

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 benefits needs. In keeping with Catholic Health Association guidelines, each Hospital strives to meet its community's identified needs. The corporate staff of Avera Health advocates for all members

**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

2022

**Open to Public
Inspection**

Name of the organization **Sacred Heart Health Services** Employer identification number **46-0225483**

Part I General Information on Grants and Assistance

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

Part II Grants and Other Assistance to 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 noncash assistance | (f) Method of valuation (book, FMV, appraisal, other) | (g) Description of noncash assistance | (h) Purpose of grant or assistance |
|---|----------------|--|---------------------------------|---|--|--|--|
| Mount Marty University 1105 W 8th Street Yankton, SD 57078 | 46-0283336 | 501(c)(3) | 58,675. | 0. | | | Fieldhouse, Tobacco Grant, Palliative Care Grant |
| South Dakota State University Morrill Hall 323 Box 2201 Brookings, SD 57007 | 46-0273801 | 501(c)(3) | 104,119. | 0. | | | Palliative Care Grant |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

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

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

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

Schedule I (Form 990) 2022

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

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

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

Part I, Line 2:

The Organization provides grants/contributions to other organizations which are tax-exempt under IRC Section 501(c)(3) and governmental divisions that benefit the community and region through programs and activities.

**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

2022

Open to Public
Inspection

| | |
|---|---|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

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 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 |
|-----------|-----|----|
| 1a | | |
| 1b | | |
| 2 | | |
| 3 | | |
| 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) 2022

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 and/or 1099-NEC 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) Julie Lutt CFO Avera Health; Secretary/Treasurer | (i) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (ii) | 1,075,517. | 460. | 10,475. | 15,250. | 1,838. | 1,103,540. | 0. |
| (2) Steve Gutnik, MD, FACP Gastroenterology & Internal Medicine | (i) | 823,926. | 15,000. | 31,009. | 15,250. | 12,020. | 897,205. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| (3) Ryan Sieg, MD Orthopedics, Surgery & Sports Medicine | (i) | 692,801. | 16,000. | 73,341. | 15,250. | 31,310. | 828,702. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| (4) Derrick Doolittle, MD Diagnostic Radiology & Radiology | (i) | 504,502. | 205,525. | 23,088. | 15,250. | 39,061. | 787,426. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| (5) Douglas Ekeren President/CEO | (i) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (ii) | 686,463. | 725. | 17,002. | 15,250. | 31,182. | 750,622. | 0. |
| (6) Adam Strehle, MD Family Medicine/OB | (i) | 344,306. | 300,946. | 32,317. | 15,250. | 31,211. | 724,030. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| (7) Michael Peterson, MD Radiation Oncology & Oncology | (i) | 620,149. | 15,000. | 9,203. | 15,250. | 24,351. | 683,953. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| (8) Anthony Erickson VP - Senior Services | (i) | 202,398. | 440. | 1,923. | 9,766. | 26,507. | 241,034. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| (9) Lindsay Flannery VP - Patient Care Services | (i) | 211,154. | 0. | 447. | 10,558. | 306. | 222,465. | 0. |
| | (ii) | 0. | 0. | 0. | 0. | 0. | 0. | 0. |
| | (i) | | | | | | | |
| | (ii) | | | | | | | |
| | (i) | | | | | | | |
| | (ii) | | | | | | | |
| | (i) | | | | | | | |
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| | (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 and CFO-Avera Health are compensated by Avera Health.

Avera Sacred Heart relied on the related organization for determining the compensation for the President/CEO and CFO-Avera Health using the methods described in Part I, Line 3.

SCHEDULE O
(Form 990)

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 Form 990-EZ.
Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2022

Open to Public
Inspection

Name of the organization

Sacred Heart Health Services

Employer identification number

46-0225483

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

Following is a breakdown of these statistics by facility:

Avera Sacred Heart Hospital

2,868 Acute inpatient discharges

486 Newborn patient discharges

71 Swing bed patient discharges

90,308 Outpatient visits

394 Swing-bed patient days

1,116 Newborn patient days

37,584 Clinic visits

Avera Sacred Heart Majestic Bluffs

273 Long term care patient discharges

63,224 Long-term care resident days

Avera Creighton Hospital (CAH)

79 Acute inpatient discharges

52 Swing bed patient discharges

7,814 Outpatient visits

594 Swing-bed patient days

19,604 Clinic visits

Avera Creighton Care Centre

34 Long term care patient discharges

12,755 Long-term care resident days

Name of the organization

Sacred Heart Health Services

Employer identification number

46-0225483

Avera Sacred Heart 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 \$2,444,310.

Avera Sacred Heart also provides community benefit health activities at less than or at no cost to support those in the area serviced, see Schedule H.

As a member of the Avera Health Network, Avera Sacred Heart 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 Sacred Heart 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 2:

Julie Lutt, Sr. Debra Kolecka, Sr. Roxanne Seifert and Douglas Ekeren 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.

| | |
|--|--|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|--|--|

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

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

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

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

1) To approve the adoption, amendment or repeal of the statements of philosophy, mission and values of Corporation; 2) To initiate the adoption, amendment or repeal of any provision of the Articles of Incorporation or Bylaws of Corporation, and to give final approval of any such action with respect thereto; 3) To approve and act upon the alienation of real property and precious artifacts under the canonical stewardship of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota ("Presentation Sisters") or the Benedictine Sisters of Sacred Heart Monastery ("Benedictine Sisters"), pursuant to the policies established by the Member; 4) To approve any plan of merger, consolidation or dissolution of the Corporation, or the divestiture of a sponsored work or ministry associated with the Corporation; 5) To approve the creation of new sponsored works or ministries to be conducted by or under the authority of the Corporation; 6) To appoint and remove, with or without cause, the Board of Directors of the Corporation. 7) To appoint and/or remove, with or without cause, the President and Chief Executive Officer of the Corporation. 8) To approve operating/capital budgets and strategic plans of the Corporation. 9) To approve expenditures outside of operating and capital budgets exceeding defined thresholds according to policy which may be adopted from time to time by the Member. 10) To approve acquisitions, sales and leases, according to policy which may be adopted from time to

Name of the organization

Sacred Heart Health Services

Employer identification number

46-0225483

time by the Member. 11) To establish and maintain employee benefit programs. 12) To establish and maintain insurance programs. 13) To approve major community fund drives. 14) To approve the appointment of auditors. 15) To adopt policies designed to effectuate the reserved powers of the Member.

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

The Form 990 is prepared and reviewed by an independent accounting firm. The Form 990 is then reviewed by the Avera Health VP of Financial Reporting and Tax Manager. After initial internal review, the Form 990 is made available to various members of Avera Health Executive Management, including the Avera Health CFO, President/CEO and COO. In addition, the Form 990 is made available to the Facility CEO, other Operation Finance Leaders and the Facility Board members.

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

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

A statement of conflict of interest disclosure is made on an annual basis by officers and board members. The information is maintained in a database

| | |
|--|--|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|--|--|

and a report is provided to the Board.

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

The CEO and CEO-Avera Health was compensated by Avera Health System.

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

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:

Purchased Services:

| | |
|---------------------------------|------------|
| Program service expenses | 8,270,005. |
| Management and general expenses | 730,775. |
| Fundraising expenses | 0. |
| Total expenses | 9,000,780. |

Medical Professional Fees:

| | |
|---------------------------------|------------|
| Program service expenses | 3,886,265. |
| Management and general expenses | 590,672. |

| | |
|--|--|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|--|--|

Fundraising expenses 0.

Total expenses 4,476,937.

Repairs & Maintenance:

Program service expenses 3,283,216.

Management and general expenses 137,968.

Fundraising expenses 29.

Total expenses 3,421,213.

Centralized Services:

Program service expenses 4,102,382.

Management and general expenses 8,180,841.

Fundraising expenses 0.

Total expenses 12,283,223.

Total Other Fees on Form 990, Part IX, line 11g, Col A 29,182,153.

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

Change in Interest in Avera Foundation 1,156,302.

Change in Fair Value of Interest Rate Swap 97,692.

Total to Form 990, Part XI, Line 9 1,253,994.

Form 990, Part XII, Line 2c:

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

Form 990, Part VI, Line 16:

| | |
|---|---|
| Name of the organization Sacred Heart Health Services | Employer identification number 46-0225483 |
|---|---|

There is no written policy or procedure. In the event of any such proposed transaction, the board or a committee with delegated authority reviews all materials, valuations and operational aspects for any proposed transaction. Such transaction would be evaluated in accordance with the exempt status of the organization and its applicable purposes. Any transaction also would be approved by the board and the member.

Form 990, Part X, Line 20:

The issue price includes the filing organization's share of the entire bond issue, which was issued to Avera Health on behalf of the Avera Obligated Group. The Avera Obligated Group consists of Avera Health, Avera McKennan, Avera St. Luke's, Avera Queen of Peace, Avera Marshall, Avera St. Mary's, Avera St. Anthony's, Avera St. Benedict, Avera Holy Family, Avera Tyler, Avera Granite Falls, Avera Gettysburg, Avera at Home, and Sacred Heart Health Services. In accordance with IRS instructions, information related to the tax exempt bond reporting is being reported on Avera Health's tax return (EIN 46-0422673.)

**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

2022

Open to Public Inspection

Name of the organization **Sacred Heart Health Services** Employer identification number **46-0225483**

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

| (a) Name, address, and EIN (if applicable) of disregarded entity | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Total income | (e) End-of-year assets | (f) Direct controlling entity |
|--|-------------------------|---|---------------------|---------------------------|-------------------------------------|
| | | | | | |
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Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled entity? | |
|--|--|---|-------------------------------|---|-------------------------------------|--|----|
| | | | | | | Yes | No |
| Avera Health - 46-0422673 3900 West Avera Drive, Suite 300 Sioux Falls, SD 57108 | Healthcare services | South Dakota | 501(c)(3) | Line 10 | N/A | | 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 at Home - 46-0399291 5300 S Broadband Lane Sioux Falls, SD 57108 | Home Services | South Dakota | 501(c)(3) | Line 10 | Avera Health | | X |
| Avera Health Plans, Inc. - 46-0451539 3900 West Avera Drive, Suite 101 Sioux Falls, SD 57108 | Health financing and health plans admin | South Dakota | 501(c)(4) | | Avera Health | | X |

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

Schedule R (Form 990) 2022

Part II Continuation of Identification of Related Tax-Exempt Organizations

| (a) Name, address, and EIN of related organization | (b) Primary activity | (c) Legal domicile (state or foreign country) | (d) Exempt Code section | (e) Public charity status (if section 501(c)(3)) | (f) Direct controlling entity | (g) Section 512(b)(13) controlled organization? | |
|---|------------------------------------|---|-------------------------------|---|-------------------------------------|--|----|
| | | | | | | Yes | No |
| Avera Marshall - 41-0919153 300 S Bruce St Marshall, MN 56258 | Healthcare services | Minnesota | 501(c)(3) | Line 3 | Avera Health | | X |
| Avera Granite Falls - 84-3156881 345 10th Ave Granite Falls, MN 56241 | Healthcare services | Minnesota | 501(c)(3) | Line 3 | Avera Marshall | | X |
| Avera Tyler - 41-0853163 240 Willow Street Tyler, MN 56178 | Healthcare services | Minnesota | 501(c)(3) | Line 3 | Avera Marshall | | X |
| Avera Queen of Peace Hospital - 46-0224604 525 N Foster Street Mitchell, SD 57301 | Healthcare services | South Dakota | 501(c)(3) | Line 3 | Avera Health | | X |
| Avera St. Anthony's Hospital - 47-0463911 300 N 2nd Street O'Neill, NE 68763 | Healthcare services | Nebraska | 501(c)(3) | Line 3 | Avera Health | | X |
| Avera 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 Gettysburg - 46-0234354 606 East Garfield Gettysburg, SD 57442 | Healthcare services | South Dakota | 501(c)(3) | Line 3 | Avera St. Mary's | | X |
| Avera Holy Family - 42-0680370 826 North 8th Street Estherville, IA 51334 | Healthcare services | Iowa | 501(c)(3) | Line 3 | Avera Health | | X |
| Holy Family Hospital Foundation - 42-1317452 826 North 8th Street Estherville, IA 51334 | Support health related services | Iowa | 501(c)(3) | Line 10 | Avera Holy Family | | X |
| Lewis and Clark Health Education and Service Agency - 46-0337013, 1000 W 4th Street, Suite 9, Yankton, SD 57078 | Healthcare services | South Dakota | 501(c)(3) | Line 10 | Avera Health | | X |
| St. Benedict Health Center - 46-0226738 401 West Glynn Drive Parkston, SD 57366 | Healthcare services | South Dakota | 501(c)(3) | Line 3 | Avera Health | | X |

Part II Continuation of Identification of Related Tax-Exempt Organizations

Table with 8 columns: (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). Row 1: St. Benedict Health Center Foundation - 46-0458725, West Glynn Drive PO Box B, Parkston, SD 57366; Support health related services; South Dakota; 501(c)(3); Line 12a, I; St. Benedict Health Center; No; 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 | | X | N/A | | X | N/A |
| Avera Home Medical Equipment of Lakes Regional Healthcare, LLC - 86-2949748, 2301 Hwy 71 South Ste D, Spirit Lake, IA | Medical services - home medical equipment | IA | N/A | N/A | N/A | N/A | | X | N/A | | X | 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 | | X | N/A | | X | N/A |
| Avera Home Medical Equipment of Spencer Hospital, LLC - 80-0619999, 2400 S MN Ave #102, Sioux Falls, SD 57117 | Medical services - home medical equipment | SD | N/A | N/A | N/A | N/A | | X | N/A | | X | 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 |
| Alucent Australia Pty Ltd Level 10, 30 Collings Street Melbourne, VIC 3000, AUSTRALIA | Biotech Research | Australia | N/A | | N/A | N/A | N/A | | X |
| Alucent Biomedical, 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 |
| Avera Property Insurance, Inc. - 46-0463155 1000 West 4th Street, Suite 1 Yankton, SD 57078 | Insurance | SD | N/A | C CORP | N/A | N/A | N/A | | X |
| DakotaCare Administrative Services, Inc. - 46-0424322, 5300 South Broadband Lane, Sioux Falls, SD 57108 | 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 | |
| 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 | | X | N/A | | X | N/A |
| Caravan Health ACO 15 LLC dba Prairie Vista Care Organization - 61-1843657, 7509 NW Tiffany Springs | Accountable care organization | MO | N/A | N/A | N/A | N/A | | X | N/A | | X | N/A |
| Caravan Health ACO 41 LLC dba Prairie View Care Organization - 82-1447782, 7509 NW Tiffany Springs | Accountable care organization | MO | N/A | N/A | N/A | N/A | | X | N/A | | X | 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 | | X | N/A | | X | N/A |
| Surgical Associates Endoscopy Clinic, LLC - 46-0461429, 310 S Pennsylvania St, Aberdeen, SD 57401 | Surgical associates | SD | N/A | N/A | N/A | N/A | | X | N/A | | X | N/A |
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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) Valley Health Services Inc | Q | 110,575. | FMV |
| (2) | | | |
| (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:

Avera Home Medical Equipment of Lakes Regional Healthcare,
LLC

EIN: 86-2949748

2301 Hwy 71 South Ste D

Spirit Lake, IA 51360

Name, Address, and EIN of Related Organization:

Caravan Health ACO 15 LLC dba Prairie Vista Care
Organization

EIN: 61-1843657

7509 NW Tiffany Springs Parkway, Ste 310

Kansas City, MO 64153

Name, Address, and EIN of Related Organization:

Caravan Health ACO 41 LLC dba Prairie View Care
Organization

EIN: 82-1447782

7509 NW Tiffany Springs Parkway

Kansas City, MO 64153

Form 990, Schedule R, Part II

St. Benedict Health Center Foundation dissolved as of December 31,
2022.

Electronic Filing PDF Attachment



Consolidated Financial Statements
June 30, 2023 and 2022

Avera Health

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Independent Auditor's Report

The Board of Directors
Avera Health
Sioux Falls, South Dakota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Avera Health, which comprise the consolidated balance sheets as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Avera Health as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Avera Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Avera Health's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Avera Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avera Health's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information 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.

Eide Bailly LLP

Sioux Falls, South Dakota
October 27, 2023

Avera Health
Consolidated Balance Sheets
June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|--|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 83,029 | \$ 143,879 |
| Assets limited as to use | | |
| Under indenture and contractual agreements | 15,511 | 15,098 |
| Designated reserves | 44,721 | 32,605 |
| Receivables | | |
| Patients and residents | 301,449 | 269,387 |
| Other | 100,960 | 104,628 |
| Supplies | 69,377 | 70,245 |
| Prepaid expenses and other | 29,863 | 36,944 |
| Total current assets | 644,910 | 672,786 |
| Assets Limited as to Use | | |
| Under indenture and contractual agreements | 51,091 | 44,402 |
| Designated reserves | 1,362,425 | 1,380,962 |
| Total noncurrent assets limited as to use | 1,413,516 | 1,425,364 |
| Property and Equipment, Net | 1,054,211 | 1,060,051 |
| Other Assets | | |
| Custodial funds held for uncontrolled affiliates | 57,873 | 61,095 |
| Investments in affiliated organizations | 19,117 | 17,509 |
| Goodwill | 100,183 | 99,433 |
| Intangible assets, net | 6,451 | 7,239 |
| Right of use operating lease assets | 121,495 | 83,957 |
| Noncurrent receivables | 16,412 | 12,638 |
| Deferred compensation | 97,613 | 83,376 |
| Other | 12,713 | 13,214 |
| Total other assets | 431,857 | 378,461 |
| Total Assets | \$ 3,544,494 | \$ 3,536,662 |

Avera Health
Consolidated Balance Sheets
June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 18,342 | \$ 31,857 |
| Accounts payable | 88,110 | 101,016 |
| Accrued salaries, benefits and withholdings | 104,601 | 138,319 |
| Interest payable | 9,153 | 9,240 |
| Estimated insurance claims payable | 37,345 | 83,779 |
| Estimated third-party payor settlements | 14,690 | 15,712 |
| Right of use operating lease obligations | 8,700 | 9,165 |
| Contract liability - Medicare advanced payments | - | 3,326 |
| Refundable advances | 65 | 3,496 |
| Deferred payroll taxes | - | 17,945 |
| Other | 29,310 | 26,061 |
| | 310,316 | 439,916 |
| Noncurrent Liabilities | | |
| Long-term debt, less unamortized premiums, discounts, and debt issuance costs | 610,588 | 627,182 |
| Right of use operating lease obligations | 114,374 | 76,293 |
| Custodial funds held for uncontrolled affiliates | 57,873 | 61,095 |
| Estimated insurance claims payable | 11,927 | 19,460 |
| Derivative liability | 2,587 | 4,786 |
| Accrued pension and deferred compensation | 240,335 | 83,376 |
| Other | 16,853 | 12,773 |
| | 1,054,537 | 884,965 |
| Total liabilities | 1,364,853 | 1,324,881 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 2,087,179 | 2,117,412 |
| Noncontrolling interest | 24,691 | 26,992 |
| | 2,111,870 | 2,144,404 |
| With donor restrictions | 67,771 | 67,377 |
| | 2,179,641 | 2,211,781 |
| Total Liabilities and Net Assets | \$ 3,544,494 | \$ 3,536,662 |

Avera Health
Consolidated Statements of Operations
Years Ended June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|--|--------------|--------------|
| Revenues, Gains, and Other Support | | |
| Patient and resident service revenue | \$ 2,317,751 | \$ 2,205,180 |
| Premium revenue | 321,586 | 346,586 |
| Other revenue | 252,778 | 234,853 |
| COVID-19 stimulus revenue | 10,875 | 50,279 |
| Total revenues, gains, and other support | 2,902,990 | 2,836,898 |
| Expenses | | |
| Salaries, wages, and benefits | 1,532,536 | 1,514,105 |
| Supplies | 611,846 | 559,569 |
| Other | 428,678 | 408,384 |
| Claims expense | 144,296 | 190,178 |
| Interest | 23,551 | 22,391 |
| Depreciation and amortization | 116,570 | 113,937 |
| Total expenses | 2,857,477 | 2,808,564 |
| Operating Income | 45,513 | 28,334 |
| Other Income (Expense) | | |
| Investment income - realized | 9,369 | 27,325 |
| Investment income (loss) - unrealized | 87,461 | (212,568) |
| Net periodic pension and deferred compensation | (23,552) | 14,619 |
| Gain on sale of business unit | - | 110,109 |
| Other nonoperating, net | (22,737) | (20,889) |
| Change in fair value of interest rate swaps not designated as hedges | 2,199 | 4,613 |
| Reclassification of accumulated losses on interest rate swaps | (346) | (366) |
| Total other income (expense) | 52,394 | (77,157) |
| Revenues in Excess of (Less Than) Expenses | 97,907 | (48,823) |
| Distributions to noncontrolling interests | (1,516) | (4,465) |
| Reclassification of accumulated losses on interest rate swap | 346 | 366 |
| Grants and contributions restricted for capital purposes | 9,649 | 10,784 |
| Net assets released from restrictions for purchases of property and equipment | 5,939 | 2,705 |
| Adjustments to the funded status of pension plans | (142,722) | - |
| Other changes in net assets | (2,137) | (2,673) |
| Change in Net Assets without Donor Restrictions | \$ (32,534) | \$ (42,106) |

Avera Health
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|---|--------------|--------------|
| Net Assets without Donor Restrictions | | |
| Revenues in excess of (less than) expenses | \$ 97,907 | \$ (48,823) |
| Distributions to noncontrolling interests | (1,516) | (4,465) |
| Reclassification of accumulated losses on interest rate swap | 346 | 366 |
| Grants and contributions restricted for capital purposes | 9,649 | 10,784 |
| Net assets released from restrictions for purchases of property and equipment | 5,939 | 2,705 |
| Adjustments to the funded status of pension plans | (142,722) | - |
| Other changes in net assets | (2,137) | (2,673) |
| Change in net assets without donor restrictions | (32,534) | (42,106) |
| Net Assets with Donor Restrictions | | |
| Contributions restricted for specific projects and programs | 7,020 | 19,947 |
| Contributions for endowment funds | 524 | 1,076 |
| Investment income (loss) | 4,227 | (6,289) |
| Net assets released from restrictions | (11,377) | (11,877) |
| Change in net assets with donor restrictions | 394 | 2,857 |
| Change in Net Assets | (32,140) | (39,249) |
| Net Assets, Beginning of Year | 2,211,781 | 2,251,030 |
| Net Assets, End of Year | \$ 2,179,641 | \$ 2,211,781 |

Avera Health
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|--|-------------|-------------|
| Operating Activities | | |
| Change in net assets | \$ (32,140) | \$ (39,249) |
| Adjustments to reconcile change in net assets to net cash (used for) from operating activities | | |
| Net realized and unrealized gains and losses on investments | (93,903) | 196,958 |
| Change in fair value of interest rate swaps | (2,199) | (4,613) |
| Depreciation and amortization | 118,349 | 116,030 |
| Loss (gain) on disposal of property and equipment, net | 107 | (666) |
| Gain on sale of business unit | - | (110,109) |
| Losses on equity method investments | 3,052 | 4,635 |
| Distributions from affiliated organizations | 948 | 838 |
| Restricted grants and contributions | (17,193) | (31,807) |
| Distributions to noncontrolling interests | 1,516 | 4,465 |
| Changes to the funded status of pension plans | 142,722 | - |
| Change in assets and liabilities | | |
| Receivables | (28,394) | (4,205) |
| Supplies | 868 | (3,311) |
| Prepaid expenses and other assets | 7,096 | (7,299) |
| Right of use operating lease assets and obligations, net | 78 | 62 |
| Accounts payable | (7,121) | 1,284 |
| Estimated third-party payor settlements | (1,022) | (9,950) |
| Accrued expenses | (87,795) | 56,065 |
| Contract liability - Medicare advanced payments | (3,326) | (14,263) |
| Refundable advances | (3,431) | (7,430) |
| Other current liabilities | (15,220) | (27,457) |
| Net Cash (used for) from Operating Activities | (17,008) | 119,978 |
| Investing Activities | | |
| Purchases of investments | (258,771) | (676,718) |
| Proceeds from sales and maturities of investments | 277,069 | 538,747 |
| Purchase of property and equipment | (120,553) | (139,320) |
| Proceeds from disposal of equipment | 806 | 3,546 |
| Cash paid in business acquisitions, net | (262) | (3,551) |
| Net cash received from sale of business unit | - | 118,164 |
| Investment in affiliated organizations | (5,529) | (5,950) |
| Decrease (increase) in other assets | 11,553 | (13,973) |
| Net Cash used for Investing Activities | (95,687) | (179,055) |

Avera Health
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|---|-----------------|----------------|
| Financing Activities | | |
| Proceeds from issuance of long-term debt | \$ 5,798 | \$ 8,280 |
| Scheduled principal payments on long-term debt | (32,331) | (19,235) |
| Payments for mandatory tender of bonds for refinancing and other accelerated debt payments | (103,150) | - |
| Proceeds from refinancing of tendered bonds | 101,895 | - |
| Payment of debt issuance costs | (143) | - |
| Change in other noncurrent liabilities | 4,001 | (21,878) |
| Distributions to noncontrolling interests | (1,516) | (4,465) |
| Change in other noncurrent receivables | (3,774) | 3,417 |
| Restricted grants and contributions | 17,193 | 31,807 |
| | (12,027) | (2,074) |
| Net Cash used for Financing Activities | (12,027) | (2,074) |
| Net Change in Cash, Cash Equivalents, and Restricted Cash | (124,722) | (61,151) |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year | 309,303 | 370,454 |
| Cash, Cash Equivalents, and Restricted Cash, End of Year | \$ 184,581 | \$ 309,303 |
| Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Consolidated Balance Sheets | | |
| Cash and cash equivalents in current assets | \$ 83,029 | \$ 143,879 |
| Cash and cash equivalents in assets limited as to use | 101,552 | 165,424 |
| Total cash, cash equivalents, and restricted cash | \$ 184,581 | \$ 309,303 |

Avera Health
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|---|-----------|------------|
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | \$ 25,816 | \$ 24,574 |
| Business acquisitions | | |
| Receivables and other assets | 15 | 984 |
| Property and equipment, net | 67 | 93 |
| Intangible assets | - | 2,820 |
| Goodwill | 750 | - |
| Liabilities | (570) | (346) |
| Net cash paid | \$ 262 | \$ 3,551 |
| Business divestitures | | |
| Receivables | \$ - | \$ 9,391 |
| Supplies | - | 262 |
| Prepaid expenses and other | - | 3,578 |
| Property and equipment, net | - | 2,430 |
| Right of use operating lease assets | - | 1,691 |
| Accounts payable | - | (2,220) |
| Accrued salaries, benefits and withholdings | - | (4,252) |
| Right of use operating lease obligations - current | - | (740) |
| Other current liabilities | - | (1,111) |
| Right of use operating lease obligations - noncurrent | - | (974) |
| Assets and liabilities divested, net | - | 8,055 |
| Gain on sale of business unit | - | 110,109 |
| Net cash received | \$ - | \$ 118,164 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities | | |
| Accounts payable for purchase of property and equipment | \$ 3,769 | \$ 9,577 |
| Right of use assets recognized in exchange for operating lease obligations | 47,214 | 11,785 |

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 97% of the consolidated net assets without donor restrictions of Avera Health as of June 30, 2023 and 2022.

Principles of Consolidation

The consolidated financial statements for the years ended June 30, 2023 and 2022 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 (Avel eCare LLC (formerly known as Avera eCare LLC) and Avel Research and Education LLC (both divested during the year ended June 30, 2022))
- Avera McKennan and Subsidiaries (66 2/3% of Heart Hospital of South Dakota LLC, Alumend LLC, and Alucent Biomedical, Inc. (65.4% ownership as of October 1, 2020, increasing to 70.2% as of April 1, 2023))
- Sacred Heart Health Services d/b/a Avera Sacred Heart Hospital and Subsidiaries (Valley Health Services)
- Avera St. Luke's and Subsidiary (51% of Surgical Associates Endoscopy LLC)
- Avera Queen of Peace
- Avera Marshall and Subsidiaries (Avera Tyler and Avera Granite Falls)
- Avera St. Mary's and Subsidiary (Avera Gettysburg)

- Avera St. Anthony's Hospital
- Avera St. Benedict Health Center
- Avera Holy Family
- Avera @ Home (Avera Home Medical Equipment, LLC, 80% of Kore Cares In Home Services, 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. d/b/a Dakotacare and Subsidiary (Dakotacare Administrative Services Inc.)

Accountable Care Organization (ACO) Participation

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

- Caravan Health ACO 15 LLC d/b/a Prairie Vista Care Organization
- Caravan Health ACO 41 LLC d/b/a Prairie View Care Organization

Shared savings realized by Avera Health have not been material in their initial years of participation. Beginning July 1, 2019, the Organization began participation in risk-sharing under their ACO participation. Prior to that time, there was no downside revenue risk with the Avera ACO programs.

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, 2023 and 2022. The Organization paid an immaterial amount of federal and state income taxes for the years ended June 30, 2023 and 2022.

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 receivables. Payments of receivables are allocated to the specific claims identified on the remittance advice, or, if unspecified, are applied to the earliest unpaid claim. The Organization's patient and other receivable balances were \$270,035 and \$109,073 as of July 1, 2021.

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, third-party payor's, or customer's ability to pay that may have occurred subsequent to recognition. Other receivables are recorded net of allowances for doubtful accounts of \$1,383 and \$1,788 as of June 30, 2023 and 2022. 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, residents, 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, resident, 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 and residents 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. 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 designated asset reserves 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 held as designated capital surplus reserves for the Organization's health insurance companies; 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's operations. Notes receivable with physicians totaling approximately \$20,309 and \$20,446 at June 30, 2023 and 2022 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. Contribution 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 finance 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, improvements, and rental property | 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 Organization 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 affiliated organization that do not meet the requirements under the equity method of account and without readily determinable fair values are measured at cost minus impairment (if any) and adjusted for any observable price changes in orderly transactions of identical securities or similar securities of the same issuer. 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 goodwill impairment losses for the years ended June 30, 2023 and 2022.

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 were no intangible asset impairment losses recognized for the years ended June 30, 2023 and 2022.

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. There were no long-lived asset impairment losses recognized for the years ended June 30, 2023 and 2022.

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, 2023 and 2022 have been accrued as liabilities and include an estimate of the ultimate costs for both reported claims and claims incurred but not reported. Avera Health also has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities.

Noncontrolling Interest

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

The changes in consolidated net assets without donor restrictions attributable to the Organization's controlling interest and noncontrolling interests for the years ended June 30, 2023 and 2022 are as follows:

| | Net Assets without Donor Restrictions | | |
|---|---------------------------------------|-----------------------------|---------------------|
| | Controlling Interest | Noncontrolling Interests | Total |
| Balance, July 1, 2021 | \$ 2,154,453 | \$ 32,057 | \$ 2,186,510 |
| Revenue less than expenses | (48,275) | (548) | (48,823) |
| Distributions to noncontrolling interests | - | (4,465) | (4,465) |
| Reclassification of accumulated losses on interest rate swaps | 366 | - | 366 |
| Grants and contributions restricted for capital purposes | 10,784 | - | 10,784 |
| Net assets released from restrictions for purchases of property and equipment | 2,705 | - | 2,705 |
| Other changes in net assets | (2,621) | (52) | (2,673) |
| Balance, June 30, 2022 | 2,117,412 | 26,992 | 2,144,404 |
| Revenue in excess of expenses | 98,652 | (745) | 97,907 |
| Distributions to noncontrolling interests | - | (1,516) | (1,516) |
| Reclassification of accumulated losses on interest rate swaps | 346 | - | 346 |
| Grants and contributions restricted for capital purposes | 9,649 | - | 9,649 |
| Net assets released from restrictions for purchases of property and equipment | 5,939 | - | 5,939 |
| Adjustments to the funded status of pension plans | (142,722) | - | (142,722) |
| Other changes in net assets | (2,097) | (40) | (2,137) |
| Balance, June 30, 2023 | <u>\$ 2,087,179</u> | <u>\$ 24,691</u> | <u>\$ 2,111,870</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. Amounts received before recognition are reported as a contract liability.

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 price concessions 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 price concessions 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. The Organization had estimated third-party payor settlements payable of \$25,662 as of July 1, 2021.

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 for employer groups and individual members. Premiums are recognized in the contractual coverage period in which members are entitled to receive services. Premiums received in advance of a coverage period are deferred and recorded as other current liabilities. When the expected claim payments and administrative expenses exceed the premiums to be collected for the remainder of the contract period, a premium deficiency reserve is recorded for the deficiency, with a corresponding charge to operations. A premium deficiency reserve of approximately \$3,059 and \$10,600 was included in other current liabilities as of June 30, 2023 and 2022.

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 \$24,753 and \$23,191 at June 30, 2023 and 2022, 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, 2023 and 2022, 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 (less than) 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.

Advertising Costs

The Organization expenses advertising costs as they are incurred. During the years ended June 30, 2023 and 2022, advertising expenses were \$11,927 and \$10,619.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 14, 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326). This guidance is intended to align the needs of the users of financial statements related to credit loss recognition and also addresses the potential weakness from the delayed recognition of credit losses, resulting in an overstatement of assets. The amendments replace the current incurred loss methodology, which delays recognition until it is probable a loss has occurred, with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance was effective for the Organization beginning July 1, 2023. The adoption of this guidance did not materially impact the Organization's financial position, or results of operations, but may require additional disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This guidance was issued to address the inconsistency in accounting related to recognition of an acquired contract liability and the payment terms and their effect on subsequent revenue by the acquirer. The amendments in this update require that the acquirer recognize, and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if it had originated the contracts, generally consistent with how they were recognized and measured in the acquiree's financial statements. This guidance is effective for the Organization beginning July 1, 2024. The Organization will apply this guidance in consideration of any future business combinations that may occur on or after July 1, 2024.

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.

A reconciliation to arrive at financial assets available for general expenditure within one year of the balance sheet date is summarized in the following table as of June 30:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 83,029 | \$ 143,879 |
| Assets limited as to use | 1,473,748 | 1,473,067 |
| Receivables - current | 402,409 | 374,015 |
| Custodial funds held for uncontrolled affiliates | 57,873 | 61,095 |
| Deferred compensation | <u>97,613</u> | <u>83,376</u> |
| Total financial assets | 2,114,672 | 2,135,432 |
| Less amounts not available to be used within one year | | |
| Donor restricted endowment corpus | (11,694) | (11,170) |
| Assets under indenture and contractual agreements | (66,602) | (59,500) |
| Illiquid investments | (26,623) | (25,582) |
| Custodial funds held for uncontrolled affiliates | (57,873) | (61,095) |
| Funds held in trust for deferred compensation | <u>(97,613)</u> | <u>(83,376)</u> |
| | <u>\$ 1,854,267</u> | <u>\$ 1,894,709</u> |

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.

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 vary 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 to Medicaid beneficiaries at established billing rates which are determined on a cost-related basis subject to certain limitations as prescribed by the South Dakota Department of Social Services and Minnesota Department of Human 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 patient driven or resource-based resident classification system which is used to identify prospective payment for each resident.

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, 2023 and 2022 increased approximately \$5,000 and \$6,800 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, 2023 and 2022 was not significant.

The composition of patient and resident service revenue by payor for the years ended June 30, 2023 and 2022 is as follows:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Medicare | \$ 845,081 | \$ 801,596 |
| Medicaid | 176,309 | 180,514 |
| Blue Cross | 544,798 | 523,033 |
| Commercial insurance | 576,937 | 533,781 |
| Other third-party payors, patients and residents | <u>174,626</u> | <u>166,256</u> |
| | <u>\$ 2,317,751</u> | <u>\$ 2,205,180</u> |

Contract Liability – Medicare Advanced Payments

The contract liability for Medicare advanced payments consists of advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A and B providers who were impacted by the COVID-19 pandemic. Avera Health received \$230,497 in advanced payments during the year ended June 30, 2020, which was to be recouped through reductions to payments for future Medicare claims. Recoupment of the remaining amounts received under this program began during the year ended June 30, 2021, one year after Avera Health affiliates received the advanced payments, and outstanding balances are currently not required to be paid in full for 29 months from the date the first payment under the program was received, at which time interest would accrue at 4% of the outstanding balance. Avera Health repaid \$3,326 and \$14,263 of the Medicare advanced payments during the years ended June 30, 2023 and 2022, respectively, and there are no remaining amounts to be recouped under the program as of June 30, 2023.

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

Assets limited as to use and custodial funds consist of the following as of June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|--------------|--------------|
| Cash and cash equivalents | \$ 101,552 | \$ 165,424 |
| U.S. government issues | 37,004 | 25,506 |
| Corporate bonds | 53,386 | 53,900 |
| Other fixed income | 23,185 | 24,930 |
| Publicly traded equity securities | 43,651 | 39,613 |
| Foreign equities | 43,839 | 38,502 |
| Equity mutual funds | 676,731 | 639,220 |
| Fixed income mutual funds | 416,200 | 416,630 |
| Balanced mutual funds | 145 | 131 |
| Alternative investments | | |
| Multi-strategy, debt, private equity, and hedge funds | 119,153 | 115,323 |
| Real asset funds | 16,775 | 14,983 |
| | \$ 1,531,621 | \$ 1,534,162 |

Assets limited as to use and custodial funds are classified in the consolidated balance sheets as follows as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Assets limited as to use | | |
| Current - under indenture and contractual agreements | \$ 15,511 | \$ 15,098 |
| Current - designated reserves | 44,721 | 32,605 |
| Noncurrent - under indenture and contractual agreements | 51,091 | 44,402 |
| Noncurrent - designated reserves | 1,362,425 | 1,380,962 |
| Custodial funds held for unconsolidated entities | 57,873 | 61,095 |
| | <u>\$ 1,531,621</u> | <u>\$ 1,534,162</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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|---------------------|
| Other Revenue | | |
| Interest and dividend income | <u>\$ 9,906</u> | <u>\$ 10,668</u> |
| Other Income | | |
| Interest and dividend income | \$ 7,154 | \$ 5,426 |
| Net realized gains on investments | 2,215 | 21,899 |
| Change in unrealized gains and losses on investments | 87,461 | (212,568) |
| | <u>\$ 96,830</u> | <u>\$ (185,243)</u> |
| Changes in net assets with donor restrictions | | |
| Net realized gains on investments | \$ 590 | \$ 707 |
| Change in unrealized gains and losses on investments | 3,637 | (6,996) |
| | <u>\$ 4,227</u> | <u>\$ (6,289)</u> |

Alternative Investments

Alternative investments include limited partnerships, limited liability corporations, and off-shore investment funds investing in multi-strategy, debt, private equity, hedging, and real asset portfolios. 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, 2023 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 and cash equivalents | \$ 70,653 | \$ 30,899 | \$ - | \$ 101,552 |
| U.S. government issues | 8,370 | 28,634 | - | 37,004 |
| Corporate bonds | - | 53,386 | - | 53,386 |
| Other fixed income | - | 23,185 | - | 23,185 |
| Publicly traded equity securities | 43,651 | - | - | 43,651 |
| Foreign equities | 43,839 | - | - | 43,839 |
| Equity mutual funds | 14,193 | 137,819 | - | 152,012 |
| Fixed income mutual funds | 11,593 | 149,558 | - | 161,151 |
| Balanced mutual funds | 145 | - | - | 145 |
| Investments valued at net asset value | | | | |
| Equity mutual funds | | | | 524,719 |
| Fixed income mutual funds | | | | 255,049 |
| Alternative investments | | | | |
| Multi-strategy, debt, private equity, and hedge funds | | | | 119,153 |
| Real asset funds | | | | 16,775 |
| | <u>192,444</u> | <u>423,481</u> | <u>-</u> | <u>1,531,621</u> |
| Other assets | | | | |
| Deferred compensation - mutual funds | 92,397 | 1,664 | - | 94,061 |
| Physician guarantees | - | - | 5,247 | 5,247 |
| Investments valued at net asset value | | | | |
| Deferred compensation - other | | | | 3,552 |
| | <u>\$ 284,841</u> | <u>\$ 425,145</u> | <u>\$ 5,247</u> | <u>\$ 1,634,481</u> |
| Liabilities | | | | |
| Other liabilities | | | | |
| Physician guarantees | \$ - | \$ - | \$ 5,247 | \$ 5,247 |
| Derivative liability - | | | | |
| Interest rate swap agreements | - | 2,587 | - | 2,587 |
| | <u>\$ -</u> | <u>\$ 2,587</u> | <u>\$ 5,247</u> | <u>\$ 7,834</u> |

Assets and liabilities measured at fair value on a recurring basis at June 30, 2022 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 and cash equivalents | \$ 146,864 | \$ 18,560 | \$ - | \$ 165,424 |
| U.S. government issues | 5,803 | 19,703 | - | 25,506 |
| Corporate bonds | - | 53,900 | - | 53,900 |
| Other fixed income | - | 24,930 | - | 24,930 |
| Publicly traded equity securities | 39,613 | - | - | 39,613 |
| Foreign equities | 38,502 | - | - | 38,502 |
| Equity mutual funds | 11,901 | 56,183 | - | 68,084 |
| Fixed income mutual funds | 18,395 | 33,374 | - | 51,769 |
| Balanced mutual funds | 131 | - | - | 131 |
| Investments valued at net asset value | | | | |
| Equity mutual funds | | | | 571,136 |
| Fixed income mutual funds | | | | 364,861 |
| Alternative investments | | | | |
| Multi-strategy, debt, private equity, and hedge funds | | | | 115,323 |
| Real asset funds | | | | 14,983 |
| | <u>261,209</u> | <u>206,650</u> | <u>-</u> | <u>1,534,162</u> |
| Other assets | | | | |
| Deferred compensation - mutual funds | 79,100 | 1,349 | - | 80,449 |
| Physician guarantees | - | - | 831 | 831 |
| Investments valued at net asset value | | | | |
| Deferred compensation - other | | | | 2,927 |
| | <u>\$ 340,309</u> | <u>\$ 207,999</u> | <u>\$ 831</u> | <u>\$ 1,618,369</u> |
| Liabilities | | | | |
| Other liabilities | | | | |
| Physician guarantees | \$ - | \$ - | \$ 831 | \$ 831 |
| Derivative liability - | | | | |
| Interest rate swap agreements | - | 4,786 | - | 4,786 |
| | <u>\$ -</u> | <u>\$ 4,786</u> | <u>\$ 831</u> | <u>\$ 5,617</u> |

Avera Health's policy is to recognize transfers to or from Levels 1, 2, or 3 within the fair value hierarchy as of the beginning of the period. There were no significant transfers to or from Levels 1, 2, or 3 during 2023 and 2022.

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.

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.

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, 2023:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Notice Period</u> |
|--|-------------------|---------------------------------|-------------------------------------|
| Daily redemption frequency | | | |
| Equity mutual funds | \$ 352,736 | \$ - | Daily |
| Fixed income mutual funds | 229,071 | - | Daily |
| Two day redemption frequency | | | |
| Equity mutual funds | 171,983 | - | Daily |
| Monthly redemption frequency | | | |
| Fixed income mutual funds | 25,978 | - | 10-30 Days |
| Quarterly redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 58,289 | - | 45-90 Days |
| Semi-annual redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 12,694 | - | 45-90 Days |
| Annual redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 38,322 | - | 45-100 Days |
| Illiquid investments | | | |
| Multi-strategy, debt, private equity, and hedge funds | 9,848 | 130 | (A) |
| Real asset funds | 16,775 | 4,820 | (B) |
| | <u>\$ 915,696</u> | <u>\$ 4,950</u> | |

The following table and explanations identify attributes relating to the nature and risk of investments carried at NAV as of June 30, 2022:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Notice Period</u> |
|--|---------------------|---------------------------------|-------------------------------------|
| Daily redemption frequency | | | |
| Equity mutual funds | \$ 404,273 | \$ - | Daily |
| Fixed income mutual funds | 338,780 | - | Daily |
| Two day redemption frequency | | | |
| Equity mutual funds | 166,863 | - | Daily |
| Monthly redemption frequency | | | |
| Fixed income mutual funds | 26,081 | - | 10-30 Days |
| Quarterly redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 56,245 | - | 45-90 Days |
| Semi-annual redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 13,948 | - | 45-90 Days |
| Annual redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 34,531 | - | 45-100 Days |
| Illiquid investments | | | |
| Multi-strategy, debt, private equity, and hedge funds | 10,599 | 130 | (A) |
| Real asset funds | 14,983 | 8,670 | (B) |
| | <u>\$ 1,066,303</u> | <u>\$ 8,800</u> | |

(A) This category includes funds that employ 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, 2023 and 2022.

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 \$511,817 and \$535,599 as of June 30, 2023 and 2022. The fair value of the Organization's fixed rate debt is estimated to be \$502,053 and \$533,562 as of June 30, 2023 and 2022.

Note 6 - Property and Equipment

A summary of property and equipment is as follows:

| | 2023 | | 2022 | |
|--|---------------------|-----------------------------|---------------------|-----------------------------|
| | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Land | \$ 50,164 | \$ - | \$ 50,180 | \$ - |
| Land improvements | 31,701 | 19,407 | 31,785 | 19,043 |
| Buildings and improvements | 1,368,400 | 693,480 | 1,316,453 | 662,808 |
| Equipment | 909,305 | 644,766 | 868,845 | 617,125 |
| Rental property and property held for future use | 38,737 | 4,238 | 38,725 | 3,856 |
| Construction in progress | 17,795 | - | 56,895 | - |
| | <u>\$ 2,416,102</u> | <u>\$ 1,361,891</u> | <u>\$ 2,362,883</u> | <u>\$ 1,302,832</u> |
| Property and equipment, net | | <u>\$ 1,054,211</u> | | <u>\$ 1,060,051</u> |

Construction in progress at June 30, 2023 consists of various construction, remodeling, software, and equipment projects. The most significant outstanding projects include information technology enhancements and implementations, including the Organization's implementation of the Workday enterprise resource planning software platform, further improvement and expansion at the health campus in southern Sioux Falls, campus upgrades in Aberdeen, South Dakota, and enhancements and remodeling of facilities at Avera McKennan's primary Sioux Falls, South Dakota campus. Additional remodeling and addition projects are also planned across other Avera facilities. The estimated cost to complete the various projects is approximately \$18,503 and will be financed from cash and investment reserves. The estimated cost to complete the projects includes contract commitments of approximately \$6,004 as of June 30, 2023.

Note 7 - Investments in Affiliated Organizations

The Organization and subsidiaries are participants in various investments in affiliated organizations. Investments consist of the following as of June 30, 2023 and 2022:

| <u>Organization Name</u> | <u>2023</u> | | <u>2022</u> | |
|---|--------------------------------------|------------------|--------------------------------------|------------------|
| | Percent Ownership/ Sponsorship | Amount | Percent Ownership/ Sponsorship | Amount |
| Innovative Institute, LLC | 16.7% | \$ 14,669 | 16.7% | \$ 13,436 |
| Other investments in affiliates | 30.0% - 50.0% | <u>4,448</u> | 20.0% - 50.0% | <u>3,813</u> |
| Total equity method investments | | 19,117 | | 17,249 |
| Cost method investments | | <u>-</u> | | <u>260</u> |
| Total investments in affiliated organizations | | <u>\$ 19,117</u> | | <u>\$ 17,509</u> |

Summary financial information on a combined basis for the above entities, as of and for the years ended June 30, 2023 and 2022, is as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 97,880 | \$ 84,578 |
| Other current assets | 40,971 | 55,851 |
| Land, buildings, and equipment - net | 108,864 | 164,967 |
| Other noncurrent assets | <u>65,042</u> | <u>65,824</u> |
| Total assets | <u>\$ 312,757</u> | <u>\$ 371,220</u> |
| Total current liabilities | \$ 48,895 | \$ 73,036 |
| Long-term liabilities | 78,864 | 119,633 |
| Net assets/equity | <u>184,998</u> | <u>178,551</u> |
| Total liabilities and net assets/equity | <u>\$ 312,757</u> | <u>\$ 371,220</u> |
| Total revenues | \$ 280,799 | \$ 309,153 |
| Total expenses | <u>(266,022)</u> | <u>(293,523)</u> |
| Net income | <u>\$ 14,777</u> | <u>\$ 15,630</u> |

Note 8 - Goodwill and Intangible Assets

Changes in the carrying amount of goodwill during the years ended June 30, 2023 and 2022, were as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------|-------------------|------------------|
| Balance, beginning of year | \$ 99,433 | \$ 99,433 |
| Goodwill acquired | 750 | - |
| Goodwill impaired | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 100,183</u> | <u>\$ 99,433</u> |

Intangible assets as of June 30, 2023 and 2022 consist of:

| | Cost | Accumulated Amortization | Net |
|------------------------|-----------|-----------------------------|----------|
| Balance, June 30, 2023 | | | |
| Non-compete agreements | \$ 6,550 | \$ (5,755) | \$ 795 |
| Medical records | 8,626 | (4,879) | 3,747 |
| Other | 2,739 | (830) | 1,909 |
| | \$ 17,915 | \$ (11,464) | \$ 6,451 |
| Balance, June 30, 2022 | | | |
| Non-compete agreements | \$ 6,550 | \$ (5,485) | \$ 1,065 |
| Medical records | 8,351 | (4,155) | 4,196 |
| Other | 2,738 | (760) | 1,978 |
| | \$ 17,639 | \$ (10,400) | \$ 7,239 |

Amortization expense for the years ended June 30, 2023 and 2022 was \$788 and \$714 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:

| | |
|------------|----------|
| 2024 | \$ 654 |
| 2025 | 512 |
| 2026 | 493 |
| 2027 | 463 |
| 2028 | 369 |
| Thereafter | 3,960 |
| | \$ 6,451 |

Note 9 - Long-Term Debt

| | 2023 | 2022 |
|---|------------|------------|
| South Dakota Health and Educational Facilities Authority Series 2012B Revenue Bonds, variable interest rates due monthly during the year with a weighted average interest rate of 3.712%, varying principal payments due annually through tender date of October 31, 2032, final maturity of July 1, 2038 | \$ 101,895 | \$ 105,900 |
| Unamortized debt issuance costs | (143) | - |
| 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 | 2,102 | 2,209 |
| Unamortized debt issuance costs | (562) | (591) |
| 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 | 221,080 | 222,160 |
| Unamortized bond premium | 14,789 | 15,655 |
| Unamortized debt issuance costs | (1,336) | (1,414) |
| South Dakota Health and Educational Facilities Authority Series 2019A Revenue Bonds, fixed interest rate of 5.00%, semi-annual interest only payments until July 1, 2024, then additional varying annual installments to July 1, 2033 | 43,850 | 43,850 |
| Unamortized bond premium | 1,402 | 2,804 |
| South Dakota Health and Educational Facilities Authority Series 2019B Revenue Bonds, fixed interest rates ranging from 2.314% to 3.693%, due in varying semi-annual interest payments and annual principal payments to July 1, 2042 | 85,205 | 90,175 |
| Unamortized debt issuance costs | (1,033) | (1,123) |
| Term note obligations payable to financial institutions with interest rates ranging from 2.80% to 3.55% | | |
| Series 2012C, due in monthly payments of \$73 with final balloon payment due August 1, 2026 | 12,805 | 13,313 |
| Series 2012D, due in monthly payments of \$97 through October 1, 2022 | - | 384 |
| Series 2015A, due monthly with annual principal payments of \$1,080 with a final balloon payment due June 29, 2025 | 19,440 | 20,520 |
| Series 2016A, due in monthly payments of \$118 with a final balloon payment due February 1, 2026 | 19,439 | 20,264 |
| Series 2017A, due in monthly payments of \$106 with a final balloon payment due July 1, 2024 | 14,717 | 15,541 |
| Series 2019A, due in monthly payments of \$155 with a final balloon payment due July 1, 2026 | 22,830 | 23,881 |

Avera Health
Notes to Consolidated Financial Statements
June 30, 2023 and 2022
(Dollar Amounts in Thousands)

| | 2023 | 2022 |
|---|------------|------------|
| City of Estherville, Iowa, Avera Holy Family Revenue Bonds, Series 2012, repaid during the year ended June 30, 2023 | \$ - | \$ 1,545 |
| Notes and contracts payable, fixed interest rates ranging from 0% to 8.05%, with varying payment terms through May 2030, secured by equipment | 13,697 | 11,160 |
| Finance lease obligations - Note 12 | 3 | 14,056 |
| Total long-term debt | 628,930 | 659,039 |
| Less current maturities | (18,342) | (31,857) |
| Long-term debt, less current maturities | \$ 610,588 | \$ 627,182 |

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

| | |
|--|------------|
| 2024 | \$ 18,342 |
| 2025 | 50,660 |
| 2026 | 35,279 |
| 2027 | 46,643 |
| 2028 | 16,983 |
| Thereafter | 445,804 |
| | 613,711 |
| Unamortized bond premiums and discounts, net | 18,293 |
| Unamortized debt issuance costs | (3,074) |
| | \$ 628,930 |

Substantially all of the Obligated Group's assets and revenues as of June 30, 2023 and 2022 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.

Lines 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 2028. No amounts were outstanding under this line of credit at June 30, 2023 and 2022.

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, 2023, the Organization has a standby letter of credit with a financial institution of \$2,330, with a scheduled expiration of December 31, 2023. No amounts were outstanding under this letter of credit at June 30, 2023 and 2022.

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 | |
|-----------|---------------|-----------------|-------------------|-----------------------|-------------------|-------------------|
| | | | | | 2023 | 2022 |
| Swap A | 2028 | \$ 9,435 | 3.870% | 67% of LIBOR | \$ (181) | \$ (581) |
| Swap B | 2033 | \$ 31,370 | 3.915% | 67% of LIBOR | (2,406) | (4,205) |
| | | | | | <u>\$ (2,587)</u> | <u>\$ (4,786)</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, 2023 and 2022, \$346 and \$366 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 \$2,587 and \$4,786 as of June 30, 2023 and 2022. The change in fair value of \$2,199 and \$4,613 was recorded to the performance indicator for the years ended June 30, 2023 and 2022.

The following table summarizes the derivative transactions reflected in the consolidated balance sheets and consolidated statements of operations for the years ended June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Long-term Liability | | |
| Fair value of interest rate swap agreements | \$ (2,587) | \$ (4,786) |
| Revenues in Excess of (less than) Expenses | | |
| Change in fair value of interest rate swaps not designated as hedging instruments | 2,199 | 4,613 |
| Reclassification of accumulated losses on interest rate swaps | (346) | (366) |
| Interest expense | 550 | 1,612 |
| Other Changes in Net Assets | | |
| Reclassification of accumulated losses on interest rate swaps | 346 | 366 |

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023 and 2022:

| | 2023 | 2022 |
|--|-----------|-----------|
| Subject to expenditure for a specific purpose | | |
| Various health care programs and capital projects, including hospice, cancer care, various regional operations, and others | \$ 52,116 | \$ 50,391 |
| Endowments | | |
| Earnings subject to appropriation and expenditure | | |
| Various health care programs and services | 3,961 | 5,816 |
| Investments to be held in perpetuity, the income from which is expendable to support various health care program services | 11,694 | 11,170 |
| | \$ 67,771 | \$ 67,377 |

Net assets released from restrictions for operating purposes were \$5,438 and \$9,172 for the years ended June 30, 2023 and 2022, and are included in other operating revenues in the consolidated statements of operations. Net assets released from restrictions for capital purposes were \$5,939 and \$2,705 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

Note 12 - Leases

The Organization leases certain property and equipment for various terms under long-term, non-cancelable operating and finance lease agreements. The leases expire at various dates through 2049 and provide for renewal options ranging from one year to five years. The Organization included in the determination of the right of use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, certain agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

The Organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization elected the practical expedient to not separate lease and non-lease components for real estate and equipment leases.

Total right of use assets and lease liabilities at June 30, 2023 and 2022 were as follows:

| <u>Lease Assets</u> | <u>Classification</u> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|--|-------------------|------------------|
| Right of use operating lease assets | Other assets | \$ 121,495 | \$ 83,957 |
| Right of use finance lease assets | Property and equipment, net | 3 | 13,231 |
| Total leased assets | | <u>\$ 121,498</u> | <u>\$ 97,188</u> |
| <u>Lease Liabilities</u> | <u>Classification</u> | <u>2023</u> | <u>2022</u> |
| Current | | | |
| Operating lease liabilities | Right of use operating lease obligations | \$ 8,700 | \$ 9,165 |
| Finance lease liabilities | Current maturities of long-term debt | 3 | 14,056 |
| Noncurrent | | | |
| Operating lease liabilities | Right of use operating lease obligations | 114,374 | 76,293 |
| Finance lease liabilities | Long-term debt | - | - |
| Total lease liabilities | | <u>\$ 123,077</u> | <u>\$ 99,514</u> |

Total lease costs for the years ended June 30, 2023 and 2022 were as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|-------------|-------------|
| Operating lease cost | \$ 12,910 | \$ 13,095 |
| Variable lease cost | 2,197 | 2,683 |
| Short-term lease cost | 6,965 | 6,829 |
| Finance lease cost | | |
| Interest expense | 278 | 586 |
| Amortization of right of use assets | 662 | 1,323 |

The following table summarizes the supplemental cash flow information for the years ended June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows for operating leases | \$ 12,820 | \$ 13,035 |
| Operating cash flows for finance leases | 278 | 586 |
| Financing cash flows for finance leases | 14,053 | 1,076 |
| Right of use assets obtained in exchange for lease liabilities | | |
| Operating leases | 47,214 | 11,785 |

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

| | 2023 | 2022 |
|---------------------------------------|------------|------------|
| Weighted-average remaining lease term | | |
| Operating leases | 17.0 Years | 14.4 Years |
| Finance leases | 0.5 Years | 0.5 Years |
| Weighted-average discount rate | | |
| Operating leases | 3.79% | 3.03% |
| Finance leases | 4.00% | 4.00% |

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2023.

| Years Ending June 30, | Operating | Finance |
|------------------------------------|------------|---------|
| 2024 | \$ 13,272 | \$ 3 |
| 2025 | 12,659 | - |
| 2026 | 12,450 | - |
| 2027 | 11,455 | - |
| 2028 | 10,901 | - |
| Thereafter | 119,093 | - |
| Total lease payments | 179,830 | 3 |
| Less interest | (56,756) | - |
| Present value of lease liabilities | \$ 123,074 | \$ 3 |

Note 13 - Employee Retirement Plans

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

Avera Health has a 403(b) defined contribution pension plan (“403(b) Plan”) available for eligible employees. Under the 403(b) Plan, participant contributions are matched up to 5% of eligible employee compensation. In addition, employees of the frozen defined benefit plans discussed below were eligible to receive additional contributions (“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 final bridge payment was made as of December 31, 2021. The Organization recognized total 403(b) Plan expenses of approximately \$44,334 and \$40,247 for the years ended June 30, 2023 and 2022.

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 \$1,576 and \$2,123 for the years ended June 30, 2023 and 2022.

Deferred Compensation Plan

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 assets, and the corresponding liability is recorded in noncurrent liabilities. Compensation amounts deferred to the plan were \$7,146 and \$6,590 for the years ended June 30, 2023 and 2022. Investment earnings and corresponding expenses or expense offsets are recorded as non-operating activity in the consolidated financial statements. Net investment earnings on the deferred compensation program totaled \$11,052 and \$(14,619) for the years ended June 30, 2023 and 2022.

Frozen Defined Benefit Plans – Career Average and Cash Balance 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 (“Career Average Plan”) or the Cash Balance Retirement Plan for Employees of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen South Dakota (“Cash Balance Plan”), (collectively, the “Plans”). The Career Average Plan was closed to new participants in 2001. The Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota, sponsor these retirement plans. The Plans are not subject to regulations requiring the filing of IRS Form 5500 and are considered “church plans” under the Department of Labor and IRS regulations. 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. Pension benefits under these defined benefit plans 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, 2023 and 2022, the Organization recorded expenses of approximately \$11,917 and \$10,637 to the Career Average plan. During the years ended June 30, 2023 and 2022, the Organization recorded expenses of approximately \$585 and \$515 to the Cash Balance plan. The combined actuarially determined funded status of the Plans was a net liability of \$73,559 as of its December 31, 2021 plan year end.

During the year ended June 30, 2023, due to changes to the defined benefit plans and certain underlying participating sponsored ministries of the Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen, South Dakota, the accounting for the plans changed and the funding position of the plan that related to Avera Health and its sponsored entities were separately calculated by the actuary and recorded on the consolidated balance sheet of Avera Health for the year ended June 30, 2023. The funded status of the Plans of a liability of \$142,722 was recorded as an adjustment to unrestricted net assets during the year ended June 30, 2023, which will be amortized as a component of net periodic benefit cost over the estimated remaining benefit periods for the participants of the frozen Plans.

The funded status of the Plans, recorded as pension and other employee retirement plan liabilities in the consolidated balance sheet at June 30, 2023 is as follows:

| | Career Average | Cash Balance | Total |
|---------------|-------------------|-----------------|--------------|
| Funded Status | \$ (141,600) | \$ (1,122) | \$ (142,722) |

The following are weighted-average assumptions used to determine benefit obligations and net period pension cost at June 30, 2023:

| | 2023 |
|--|-------|
| Discount rate | 5.50% |
| Expected long-term rate of return on plan assets | 6.75% |

Future net periodic benefit cost and funded status of the plans will be impacted by changes to discount rates and the expected long-term return on plans assets. The Organization's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plans' asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy, and (2) projections of inflation over the long-term period during which benefits are payable to plan participants.

It is the Plans' policy to invest pension assets in a diversified portfolio consisting of an array of asset classes within established target asset allocation ranges. The investment risk of the assets is limited by appropriate diversification both within and between asset classes. The assets are primarily invested in a broad mix of domestic and international equities, domestic and international bonds, hedge funds, and private equity assets, subject to the target asset allocation ranges. The assets are managed with a view to ensuring that sufficient liquidity will be available to meet expected cash flow requirements. The target and actual allocations for plan assets at June 30, 2023 are as follows:

| | Asset Allocation Target | Actual 2023 |
|---------------------------|----------------------------|----------------|
| Cash and cash equivalents | 4.00% | 1.40% |
| Equity securities | 56.00% | 57.40% |
| Fixed income securities | 26.00% | 27.80% |
| Hedge funds | 9.00% | 9.40% |
| Private equity | 5.00% | 4.00% |
| | <u>100.00%</u> | <u>100.00%</u> |

The investment valuation policy of the Plans is to value investments at fair value. Equity securities for which market quotations are readily available are valued at the last reported sales price on their principal exchange on valuation date or official close for certain markets. Fixed income investments are valued on a basis of valuations furnished by a trustee-approved independent pricing service, which determines valuations for normal institutional-size trading units of such securities which are generally recognized at fair value as determined in good faith by the trustee. Investments in registered investment companies or collective pooled funds are valued at their respective net asset values. The fair value of real estate is determined by periodic appraisals.

The following table sets forth by level, within the fair value hierarchy, the Organization's pension plan assets at fair value as of June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-------------------|-------------|-------------------|
| Cash and cash equivalents | \$ 7,191 | \$ - | \$ - | \$ 7,191 |
| Equity securities | 44,217 | - | - | 44,217 |
| Equity mutual funds | - | 50,582 | - | 50,582 |
| Debt securities | 5,733 | 16,826 | - | 22,559 |
| Fixed income mutual funds | - | 36,413 | - | 36,413 |
| Investments valued at NAV | | | | |
| Equity mutual funds | | | | 200,409 |
| Fixed income mutual funds | | | | 55,289 |
| Alternative investments | | | | |
| Multi-strategy, debt, private equity and hedge funds | | | | 88,980 |
| Real asset funds | | | | 8,615 |
| Total | <u>\$ 57,141</u> | <u>\$ 103,821</u> | <u>\$ -</u> | <u>\$ 514,255</u> |

Included within the pension plan assets are investments in certain entities that report fair value using a calculated NAV or its equivalent. The following is a table identifying attributes related to certain entities that report fair value using a calculated NAV or its equivalent as of June 30, 2023:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Notice Period</u> |
|--|-------------------|---------------------------------|-------------------------------------|
| Daily redemption frequency | | | |
| Equity mutual funds | \$ 172,499 | \$ - | Daily |
| Fixed income mutual funds | 46,699 | - | Daily |
| Two day redemption frequency | | | |
| Equity mutual funds | 27,910 | - | Daily |
| Monthly redemption frequency | | | |
| Fixed income mutual funds | 8,590 | - | 10-30 Days |
| Quarterly redemption frequency | | | |
| Multi-strategy, debt, private equity, and hedge funds | 48,356 | - | 100 Days |
| Illiquid investments | | | |
| Multi-strategy, debt, private equity, and hedge funds | 40,624 | 6,616 | (A) |
| Real asset funds | 8,615 | 2,556 | (B) |
| | <u>\$ 353,293</u> | <u>\$ 9,172</u> | |

(A) This category includes funds that employ 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.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated as follows:

| | | | |
|-----------|--|----|--------------------------|
| 2024 | | \$ | 34,671 |
| 2025 | | | 35,486 |
| 2026 | | | 36,388 |
| 2027 | | | 37,466 |
| 2028 | | | 38,676 |
| 2029-2033 | | | <u>202,888</u> |
| | | | <u><u>\$ 385,575</u></u> |

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, 2023 are as follows:

| | Healthcare Services | Insurance Services | General and Administrative | Fundraising | Total |
|-------------------------------|------------------------|-----------------------|-------------------------------|-----------------|---------------------|
| Salaries, wages, and benefits | \$ 1,308,272 | \$ 7,406 | \$ 215,034 | \$ 1,824 | \$ 1,532,536 |
| Supplies | 610,413 | - | 1,341 | 92 | 611,846 |
| Other | 363,271 | - | 64,615 | 792 | 428,678 |
| Claims expense | - | 144,296 | - | - | 144,296 |
| Interest | 18,636 | - | 4,915 | - | 23,551 |
| Depreciation and amortization | 83,456 | - | 33,108 | 6 | 116,570 |
| | <u>\$ 2,384,048</u> | <u>\$ 151,702</u> | <u>\$ 319,013</u> | <u>\$ 2,714</u> | <u>\$ 2,857,477</u> |

Expenses related to providing these services by functional class for the year ended June 30, 2022 are as follows:

| | Healthcare Services | Insurance Services | General and Administrative | Fundraising | Total |
|-------------------------------|------------------------|-----------------------|-------------------------------|-----------------|---------------------|
| Salaries, wages, and benefits | \$ 1,293,666 | \$ 7,350 | \$ 211,047 | \$ 2,042 | \$ 1,514,105 |
| Supplies | 557,832 | - | 1,679 | 58 | 559,569 |
| Other | 357,566 | - | 50,061 | 757 | 408,384 |
| Claims expense | - | 190,178 | - | - | 190,178 |
| Interest | 17,691 | - | 4,700 | - | 22,391 |
| Depreciation and amortization | 81,828 | - | 32,102 | 7 | 113,937 |
| | <u>\$ 2,308,583</u> | <u>\$ 197,528</u> | <u>\$ 299,589</u> | <u>\$ 2,864</u> | <u>\$ 2,808,564</u> |

Note 15 - Commitments

The Organization has entered into several agreements that contain long-term contractual purchase commitments or promises to give. Unconditional promises to give are recorded as other current and non-current liabilities in the consolidated balance sheets.

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:

| | | | |
|------------|--|----|---------|
| 2024 | | \$ | 71,273 |
| 2025 | | | 38,858 |
| 2026 | | | 25,284 |
| 2027 | | | 17,691 |
| 2028 | | | 14,434 |
| Thereafter | | | 13,165 |
| | | | 13,165 |
| | | \$ | 180,705 |

Alternative Investment Commitments

The Organization has commitments to invest approximately \$4,950 in various alternative investments as of June 30, 2023.

Other Commitments

Avera Health Plans, Inc., South Dakota State Medical Holding Company, Inc. d/b/a 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, 2023, 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 \$3 million per claim and \$9 million annual aggregate, \$2 million per claim and \$6 million annual aggregate prior to 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, 2023 and 2022, 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, 2023 and 2022, are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Medicare | 42% | 34% |
| Medicaid | 8% | 8% |
| Blue Cross | 14% | 14% |
| Commercial insurance | 14% | 24% |
| Other third-party payors, patients and residents | 22% | 20% |
| | <u>100%</u> | <u>100%</u> |

The Company maintains its cash in bank deposit accounts which periodically exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250 per depositor, per insured bank, for each account ownership category. At June 30, 2023, the Company had approximately \$99,990 in excess of FDIC-insured limits.

Note 18 - Business Combinations and Divestitures

2023 Acquisitions

During the year ended June 30, 2023, the Organization acquired an 80% membership interest in a company that provides in home nursing, aide homemaker other attendant services, and an emergency response system in Sioux Falls, South Dakota. The results of operations for this acquisition have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition date.

The 2023 acquisition was allocated to the acquired assets and liabilities based on estimated fair value as of the business combination date during the year ended June 30, 2023 as follows:

| | | |
|------------------------------|-----------|--------------|
| Receivables and other assets | \$ | 15 |
| Property and equipment, net | | 67 |
| Goodwill | | 750 |
| Total assets acquired | | <u>832</u> |
| Liabilities assumed | | <u>(570)</u> |
| Net cash paid | <u>\$</u> | <u>262</u> |

2022 Acquisitions

During the year ended June 30, 2022, the Organization acquired two pharmacy operations in the Aberdeen South Dakota market. The results of operations for these acquisitions have been included in the accompanying consolidated financial statements for the period subsequent to the acquisition dates.

2022 acquisitions were allocated to the acquired assets and liabilities based on estimated fair value as of the respective business combination date during the year ended June 30, 2022 as follows:

| | | |
|------------------------------|-----------|--------------|
| Receivables and other assets | \$ | 984 |
| Property and equipment, net | | 93 |
| Intangible assets | | 2,820 |
| Total assets acquired | | <u>3,897</u> |
| Liabilities assumed | | <u>(346)</u> |
| Net cash paid | <u>\$</u> | <u>3,551</u> |

2022 Divestitures

During the year ended June 30, 2022, the Organization sold Avel eCare LLC (Avel) and related operations to a third party. Due to continued utilization of the virtual clinical services throughout the Avera footprint, the Organization did not consider the results to be a significant shift in its strategy, and as Avel did not have a material impact on the consolidated operations or cash flows of the entity, it is not reflected as discontinued operations. A gain on the sale of the business unit was recorded for amount of sale proceeds, net of transaction costs in excess of the net assets liquidated.

The sale resulted in net assets divested as shown in the following table.

| | |
|---|------------|
| Other receivables | \$ 9,391 |
| Supplies | 262 |
| Prepaid expenses and other | 3,578 |
| Property and equipment, net | 2,430 |
| Right of use operating lease assets | 1,691 |
| Accounts payable | (2,220) |
| Accrued salaries, benefits and withholdings | (4,252) |
| Right of use operating lease obligations - current | (740) |
| Other current liabilities | (1,111) |
| Right of use operating lease obligations - noncurrent | (974) |
| | 8,055 |
| Assets and liabilities divested, net | 8,055 |
| Gain on sale of business unit | 110,109 |
| | 118,164 |
| Net cash received | \$ 118,164 |

Note 19 - Provider Relief Funds

Avera Health received \$7,444 and \$43,160 of COVID-19 stimulus during the years ended June 30, 2023 and 2022. The provider relief funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has deadlines to incur eligible expenses and lost revenues, which vary based on the date the funds are received. Unspent funds will be expected to be repaid.

These funds are recorded as a refundable advance when received and are recognized as operating revenues in the accompanying consolidated statements of operations as all terms and conditions are considered met. The terms and conditions are subject to interpretation and future clarification. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the provider relief fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2023 and 2022, the Organization had total refundable advance balances related to provider relief funds of \$65 and \$3,496, which were included in current liabilities on the accompanying consolidated balance sheets. During the years ended June 30, 2023 and 2022, the Organization recognized \$10,875 and \$50,279 as revenue, included in COVID-19 stimulus revenue on the consolidated statements of operations.

Note 20 - Related Party Transactions

The Organization has transactions with entities related to the minority partner of Heart Hospital of South Dakota LLC for various services, including professional medical services and rent.

Related party transactions were as follows for the years ended June 30, 2023 and 2022:

| | 2023 | 2022 |
|---------------------------------|-----------|-----------|
| Professional services and other | \$ 24,215 | \$ 21,732 |
| Lease/rent | 1,442 | 1,159 |
| | \$ 25,657 | \$ 22,891 |

As of June 30, 2023 and 2022, the Organization had approximately \$3,045 and \$3,234, in accounts payable in the accompanying consolidated balance sheets related to purchases from related entities.

Note 21 - Subsequent Events

On October 27, 2023, the Organization entered into a revolving credit agreement with a financial institution providing \$125,000 for working capital and general corporate purposes. Loan advances are available in minimum \$1,000 amounts. A commitment fee is charged based on the average daily available revolving commitment and the Organization can reduce its maximum revolving commitment upon written notice. Interest is charged based on a variable rate, subject to credit rating adjustments as prescribed in the agreement and is due monthly. Any unpaid interest and principal amounts are due when the credit agreement expires on October 27, 2026.

The Organization has evaluated subsequent events through October 27, 2023, the date which the consolidated financial statements were issued.



Supplementary Consolidating Information
June 30, 2023 and 2022

Avera Health

Avera Health
Consolidating Balance Sheets
June 30, 2023
(In Thousands)

| | Avera Obligated Group | Non-Obligated Group | Eliminations and Reclassifications | Consolidated |
|--|-----------------------------|------------------------|--|---------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 62,883 | \$ 20,146 | \$ - | \$ 83,029 |
| Assets limited as to use | | | | |
| Under indenture and contractual agreements | 15,511 | - | - | 15,511 |
| Designated reserves | 2,062 | 42,659 | - | 44,721 |
| Receivables | | | | |
| Patients and residents | 324,084 | - | (22,635) | 301,449 |
| Other | 84,592 | 17,089 | (721) | 100,960 |
| Supplies | 69,377 | - | - | 69,377 |
| Prepaid expenses and other | 28,424 | 1,439 | - | 29,863 |
| Total current assets | 586,933 | 81,333 | (23,356) | 644,910 |
| Assets Limited as to Use | | | | |
| Under indenture and contractual agreements | 51,091 | - | - | 51,091 |
| Designated reserves | 1,324,136 | 38,289 | - | 1,362,425 |
| Total noncurrent assets limited as to use | 1,375,227 | 38,289 | - | 1,413,516 |
| Property and Equipment, Net | 1,046,242 | 7,969 | - | 1,054,211 |
| Other Assets | | | | |
| Custodial funds held for uncontrolled affiliates | 57,873 | - | - | 57,873 |
| Investments in affiliated organizations | 19,117 | - | - | 19,117 |
| Goodwill | 100,183 | - | - | 100,183 |
| Intangible assets, net | 6,451 | - | - | 6,451 |
| Right of use operating lease assets | 117,807 | 3,688 | - | 121,495 |
| Noncurrent receivables | 16,412 | - | - | 16,412 |
| Intercompany | 338 | (338) | - | - |
| Deferred compensation | 97,613 | - | - | 97,613 |
| Other | 11,970 | 743 | - | 12,713 |
| Total other assets | 427,764 | 4,093 | - | 431,857 |
| Total Assets | \$ 3,436,166 | \$ 131,684 | \$ (23,356) | \$ 3,544,494 |

Avera Health
Consolidating Balance Sheets
June 30, 2023
(In Thousands)

| | Avera Obligated Group | Non-Obligated Group | Eliminations and Reclassifications | Consolidated |
|--|-----------------------------|------------------------|--|---------------------|
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Current maturities of long-term debt | \$ 18,342 | \$ - | \$ - | \$ 18,342 |
| Accounts payable | 83,805 | 7,291 | (2,986) | 88,110 |
| Accrued salaries, benefits and withholdings | 103,360 | 1,241 | - | 104,601 |
| Interest payable | 9,153 | - | - | 9,153 |
| Estimated insurance claims payable | 17,901 | 39,814 | (20,370) | 37,345 |
| Estimated third-party payor settlements | 14,690 | - | - | 14,690 |
| Right of use operating lease obligations | 8,204 | 496 | - | 8,700 |
| Refundable advances | 65 | - | - | 65 |
| Other | 19,042 | 10,268 | - | 29,310 |
| Total current liabilities | 274,562 | 59,110 | (23,356) | 310,316 |
| Noncurrent Liabilities | | | | |
| Long-term debt, less unamortized premiums, discounts, and debt issuance costs | 610,588 | - | - | 610,588 |
| Right of use operating lease obligations | 111,182 | 3,192 | - | 114,374 |
| Custodial funds held for uncontrolled affiliates | 57,873 | - | - | 57,873 |
| Estimated insurance claims payable | 11,927 | - | - | 11,927 |
| Derivative liability | 2,587 | - | - | 2,587 |
| Accrued pension and deferred compensation | 240,335 | - | - | 240,335 |
| Other | 16,814 | 39 | - | 16,853 |
| Total noncurrent liabilities | 1,051,306 | 3,231 | - | 1,054,537 |
| Total liabilities | 1,325,868 | 62,341 | (23,356) | 1,364,853 |
| Net Assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 2,017,921 | 69,258 | - | 2,087,179 |
| Noncontrolling interest | 24,606 | 85 | - | 24,691 |
| Total without donor restrictions | 2,042,527 | 69,343 | - | 2,111,870 |
| With donor restrictions | 67,771 | - | - | 67,771 |
| Total net assets | 2,110,298 | 69,343 | - | 2,179,641 |
| Total Liabilities and Net Assets | \$ 3,436,166 | \$ 131,684 | \$ (23,356) | \$ 3,544,494 |

Avera Health
Consolidating Balance Sheets
June 30, 2022
(In Thousands)

| | Avera Obligated Group | Non-Obligated Group | Eliminations and Reclassifications | Consolidated |
|--|-----------------------------|------------------------|--|---------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 80,811 | \$ 63,068 | \$ - | \$ 143,879 |
| Assets limited as to use | | | | |
| Under indenture and contractual agreements | 15,098 | - | - | 15,098 |
| Designated reserves | - | 32,605 | - | 32,605 |
| Receivables | | | | |
| Patients and residents | 306,778 | - | (37,391) | 269,387 |
| Other | 86,707 | 18,660 | (739) | 104,628 |
| Supplies | 70,245 | - | - | 70,245 |
| Prepaid expenses and other | 26,776 | 10,168 | - | 36,944 |
| Total current assets | 586,415 | 124,501 | (38,130) | 672,786 |
| Assets Limited as to Use | | | | |
| Under indenture and contractual agreements | 44,402 | - | - | 44,402 |
| Designated reserves | 1,354,031 | 26,931 | - | 1,380,962 |
| Total noncurrent assets limited as to use | 1,398,433 | 26,931 | - | 1,425,364 |
| Property and Equipment, Net | 1,058,930 | 1,121 | - | 1,060,051 |
| Other Assets | | | | |
| Custodial funds held for uncontrolled affiliates | 61,095 | - | - | 61,095 |
| Investments in affiliated organizations | 17,509 | - | - | 17,509 |
| Goodwill | 99,433 | - | - | 99,433 |
| Intangible assets, net | 7,239 | - | - | 7,239 |
| Right of use operating lease assets | 79,786 | 4,171 | - | 83,957 |
| Noncurrent receivables | 12,638 | - | - | 12,638 |
| Intercompany | 1,323 | (1,200) | (123) | - |
| Deferred compensation | 83,376 | - | - | 83,376 |
| Other | 11,970 | 1,121 | 123 | 13,214 |
| Total other assets | 374,369 | 4,092 | - | 378,461 |
| Total Assets | \$ 3,418,147 | \$ 156,645 | \$ (38,130) | \$ 3,536,662 |

Avera Health
Consolidating Balance Sheets
June 30, 2022
(In Thousands)

| | Avera Obligated Group | Non-Obligated Group | Eliminations and Reclassifications | Consolidated |
|--|-----------------------------|------------------------|--|---------------------|
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Current maturities of long-term debt | \$ 31,857 | \$ - | \$ - | \$ 31,857 |
| Accounts payable | 96,311 | 7,251 | (2,546) | 101,016 |
| Accrued salaries, benefits and withholdings | 135,768 | 2,551 | - | 138,319 |
| Interest payable | 9,240 | - | - | 9,240 |
| Estimated insurance claims payable | 37,238 | 82,125 | (35,584) | 83,779 |
| Estimated third-party payor settlements | 15,712 | - | - | 15,712 |
| Right of use operating lease obligations | 8,682 | 483 | - | 9,165 |
| Contract liability - Medicare advanced payments | 3,326 | - | - | 3,326 |
| Refundable advances | 3,496 | - | - | 3,496 |
| Deferred payroll taxes | 17,904 | 41 | - | 17,945 |
| Other | 20,098 | 5,963 | - | 26,061 |
| Total current liabilities | 379,632 | 98,414 | (38,130) | 439,916 |
| Noncurrent Liabilities | | | | |
| Long-term debt, less unamortized premiums, discounts, and debt issuance costs | 627,182 | - | - | 627,182 |
| Right of use operating lease obligations | 72,605 | 3,688 | - | 76,293 |
| Custodial funds held for uncontrolled affiliates | 61,095 | - | - | 61,095 |
| Estimated insurance claims payable | 19,460 | - | - | 19,460 |
| Derivative liability | 4,786 | - | - | 4,786 |
| Accrued pension and deferred compensation | 83,376 | - | - | 83,376 |
| Other | 12,716 | 57 | - | 12,773 |
| Total noncurrent liabilities | 881,220 | 3,745 | - | 884,965 |
| Total liabilities | 1,260,852 | 102,159 | (38,130) | 1,324,881 |
| Net Assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 2,063,003 | 54,409 | - | 2,117,412 |
| Noncontrolling interest | 26,915 | 77 | - | 26,992 |
| Total without donor restrictions | 2,089,918 | 54,486 | - | 2,144,404 |
| With donor restrictions | 67,377 | - | - | 67,377 |
| Total net assets | 2,157,295 | 54,486 | - | 2,211,781 |
| Total Liabilities and Net Assets | \$ 3,418,147 | \$ 156,645 | \$ (38,130) | \$ 3,536,662 |

Avera Health
Consolidating Statements of Operations
For the Year Ended June 30, 2023
(In Thousands)

| | Avera Obligated Group | Non-Obligated Group | Eliminations and Reclassifications | Consolidated |
|---|-----------------------------|------------------------|--|--------------------|
| Revenues, Gains, and Other Support | | | | |
| Patient and resident service revenue | \$ 2,473,758 | \$ - | \$ (156,007) | \$ 2,317,751 |
| Premium revenue | - | 321,586 | - | 321,586 |
| Other revenue | 254,356 | 26,254 | (27,832) | 252,778 |
| COVID-19 stimulus revenue | 10,875 | - | - | 10,875 |
| Total revenues, gains, and other support | 2,738,989 | 347,840 | (183,839) | 2,902,990 |
| Expenses | | | | |
| Salaries, wages, and benefits | 1,529,042 | 22,841 | (19,347) | 1,532,536 |
| Supplies | 611,798 | 48 | - | 611,846 |
| Other | 407,188 | 29,975 | (8,485) | 428,678 |
| Claims expense | - | 300,303 | (156,007) | 144,296 |
| Interest | 23,551 | - | - | 23,551 |
| Depreciation and amortization | 114,899 | 1,671 | - | 116,570 |
| Total expenses | 2,686,478 | 354,838 | (183,839) | 2,857,477 |
| Operating Income (Loss) | 52,511 | (6,998) | - | 45,513 |
| Other Income (Expense) | | | | |
| Investment income - realized | 8,191 | 1,178 | - | 9,369 |
| Investment income - unrealized | 85,876 | 1,585 | - | 87,461 |
| Net periodic pension and deferred compensation | (23,552) | - | - | (23,552) |
| Other nonoperating, net | (22,737) | - | - | (22,737) |
| Change in fair value of interest rate swaps not designated as hedges | 2,199 | - | - | 2,199 |
| Reclassification of accumulated losses on interest rate swaps | (346) | - | - | (346) |
| Total other income (expense) | 49,631 | 2,763 | - | 52,394 |
| Revenues in Excess of (Less Than) Expenses | 102,142 | (4,235) | - | 97,907 |
| Equity transfers | (19,763) | 19,763 | - | - |
| Distributions to noncontrolling interests | (1,516) | - | - | (1,516) |
| Reclassification of accumulated losses on interest rate swap | 346 | - | - | 346 |
| Grants and contributions for capital purposes | 9,649 | - | - | 9,649 |
| Net assets released from restrictions for purchases of property and equipment | 5,939 | - | - | 5,939 |
| Adjustments to the funded status of pension plans | (142,722) | - | - | (142,722) |
| Other changes in net assets | (1,466) | (671) | - | (2,137) |
| Change in Net Assets without Donor Restrictions | \$ (47,391) | \$ 14,857 | \$ - | \$ (32,534) |

Avera Health
Consolidating Statements of Operations
For the Year Ended June 30, 2022
(In Thousands)

| | Avera Obligated Group | Non-Obligated Group | Eliminations and Reclassifications | Consolidated |
|---|-----------------------------|------------------------|--|--------------------|
| Revenues, Gains, and Other Support | | | | |
| Patient and resident service revenue | \$ 2,348,378 | \$ - | \$ (143,198) | \$ 2,205,180 |
| Premium revenue | - | 346,586 | - | 346,586 |
| Other revenue | 231,135 | 10,417 | (6,699) | 234,853 |
| COVID-19 stimulus revenue | 50,279 | - | - | 50,279 |
| | <u>2,629,792</u> | <u>357,003</u> | <u>(149,897)</u> | <u>2,836,898</u> |
| Total revenues, gains, and other support | | | | |
| Expenses | | | | |
| Salaries, wages, and benefits | 1,490,091 | 24,014 | - | 1,514,105 |
| Supplies | 559,512 | 57 | - | 559,569 |
| Other | 397,257 | 17,826 | (6,699) | 408,384 |
| Claims expense | - | 333,376 | (143,198) | 190,178 |
| Interest | 22,391 | - | - | 22,391 |
| Depreciation and amortization | 113,077 | 860 | - | 113,937 |
| | <u>2,582,328</u> | <u>376,133</u> | <u>(149,897)</u> | <u>2,808,564</u> |
| Total expenses | | | | |
| Operating Income (Loss) | <u>47,464</u> | <u>(19,130)</u> | <u>-</u> | <u>28,334</u> |
| Other Income (Expense) | | | | |
| Investment income - realized | 18,895 | 8,430 | - | 27,325 |
| Investment loss - unrealized | (197,261) | (15,307) | - | (212,568) |
| Net periodic pension and deferred compensation | 14,619 | - | - | 14,619 |
| Gain on sale of business unit | 110,109 | - | - | 110,109 |
| Other nonoperating, net | (20,889) | - | - | (20,889) |
| Change in fair value of interest rate swaps not designated as hedges | 4,613 | - | - | 4,613 |
| Reclassification of accumulated losses on interest rate swaps | (366) | - | - | (366) |
| | <u>(70,280)</u> | <u>(6,877)</u> | <u>-</u> | <u>(77,157)</u> |
| Total other income (expense) | | | | |
| Revenues Less Than Expenses | (22,816) | (26,007) | - | (48,823) |
| Distributions to noncontrolling interests | (4,465) | - | - | (4,465) |
| Reclassification of accumulated losses on interest rate swap | 366 | - | - | 366 |
| Grants and contributions for capital purposes | 10,784 | - | - | 10,784 |
| Net assets released from restrictions for purchases of property and equipment | 2,705 | - | - | 2,705 |
| Other changes in net assets | (2,512) | (161) | - | (2,673) |
| | <u>(15,938)</u> | <u>(26,168)</u> | <u>-</u> | <u>(42,106)</u> |
| Change in Net Assets without Donor Restrictions | | | | |
| | <u>\$ (15,938)</u> | <u>\$ (26,168)</u> | <u>\$ -</u> | <u>\$ (42,106)</u> |