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2010

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Form 990

Department of the Treasury  
Internal Revenue Service

## Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung  
benefit trust or private foundation)

► The organization may have to use a copy of this return to satisfy state reporting requirements

## A For the 2010 calendar year, or tax year beginning 07-01-2010 and ending 06-30-2011

B Check if applicable

Address change

Name change

Initial return

Terminated

Amended return

Application pending

C Name of organization

KVC Hospitals Inc

Doing Business As

Number and street (or P O box if mail is not delivered to street address)

21350 W 153rd St

Room/suite

City or town, state or country, and ZIP + 4

Olathe, KS 66061

D Employer identification number

27-1672159

E Telephone number

(913) 322-4900

G Gross receipts \$ 15,995,992

F Name and address of principal officer

B WAYNE SIMS  
21350 W 153RD ST  
OLATHE, KS 66061H(a) Is this a group return for affiliates?  Yes  NoH(b) Are all affiliates included?  Yes  No  
If "No," attach a list (see instructions)

H(c) Group exemption number ►

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

J Website: ► WWW KVC.ORG

K Form of organization  Corporation  Trust  Association  Other ►

L Year of formation 2010

M State of legal domicile KS

## Part I Summary

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

IT IS THE MISSION OF KVC TO ENRICH AND ENHANCE THE LIVES OF CHILDREN AND THEIR FAMILIES BY PROVIDING MEDICAL AND BEHAVIORAL HEALTHCARE, SOCIAL SERVICES AND EDUCATION

2 Check this box ► 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 6

4 Number of independent voting members of the governing body (Part VI, line 1b) . . . . .

4 0

5 Total number of individuals employed in calendar year 2010 (Part V, line 2a) . . . . .

5 322

6 Total number of volunteers (estimate if necessary) . . . . .

6 14

7a Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .

7a 0

b Net unrelated business taxable income from Form 990-T, line 34 . . . . .

7b 0

		Prior Year	Current Year
		153,200	396,604
8	Contributions and grants (Part VIII, line 1h)	669,819	15,547,001
9	Program service revenue (Part VIII, line 2g)	381	1,387
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	0	51,000
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	823,400	15,995,992
12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0	502
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)	513,200	10,136,473
16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
b	Total fundraising expenses (Part IX, column (D), line 25) ► 0		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	386,828	7,676,691
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	900,028	17,813,666
19	Revenue less expenses Subtract line 18 from line 12	-76,628	-1,817,674
		Beginning of Current Year	End of Year
20	Total assets (Part X, line 16)	2,106,094	4,881,691
21	Total liabilities (Part X, line 26)	389,821	1,409,037
22	Net assets or fund balances Subtract line 21 from line 20	1,716,273	3,472,654

## 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	2012-05-15 Date
	B WAYNE SIMS DIRECTOR/BOARD PRESIDENT Type or print name and title	

Paid Preparer Use Only	Print/Type preparer's name Michael J Engle	Preparer's signature Michael J Engle	Date	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ► BKD LLP				Firm's EIN ►
	Firm's address ► 1201 Walnut Suite 1700 Kansas City, MO 641062246				Phone no ► (816) 221-6300

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 Q contains a response to any question in this Part III.

.

**1 Briefly describe the organization's mission**

IT IS THE MISSION OF KVC TO ENRICH AND ENHANCE THE LIVES OF CHILDREN AND THEIR FAMILIES BY PROVIDING MEDICAL AND BEHAVIORAL HEALTHCARE, SOCIAL SERVICES AND EDUCATION

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes  No

If "Yes," describe these new services on Schedule C.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any programs or services?

Yes  No

If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses  
Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts 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 \$ 3,638,264 including grants of \$ 0 ) (Revenue \$ 3,795,919

KVC PROVIDES A CONTINUUM OF MEDICAL & BEHAVIORAL HEALTHCARE SERVICES TO CHILDREN & ADOLESCENTS EACH YEAR AT ITS JOINT-COMMISSION ACCREDITED, 24 BED FACILITY IN HAYS, KS. PSYCHIATRIC HOSPITAL AND RESIDENTIAL TREATMENT FACILITIES ARE PROVIDED FROM THIS LOCATION. IN ADDITION TO ITS PRIVATE COMMUNITY HOSPITAL, KVC'S STAR PROGRAM REPRESENTS AN INPATIENT PROGRAM PROVIDED FOR THE STATE, ALLOWING KANSAS TO CLOSE ITS PREVIOUSLY STATE OPERATED, INPATIENT PROGRAMS FOR CHILDREN AND ADOLESCENTS (SEE CONTINUATION ON SCHEDULE O).

**4b** (Code ) (Expenses \$ 12,535,100 including grants of \$ 0 ) (Revenue \$ 11,751,082

KVC PROVIDES A CONTINUUM OF MEDICAL & BEHAVIORAL HEALTHCARE SERVICES TO OVER 1,000 CHILDREN & ADOLESCENTS EACH YEAR AT ITS JOINT-COMMISSION ACCREDITED, 75-ACRE CAMPUS IN KANSAS CITY. PSYCHIATRIC HOSPITAL AND RESIDENTIAL TREATMENT FACILITIES ARE PROVIDED FROM THIS LOCATION IN ADDITION TO ITS PRIVATE COMMUNITY HOSPITAL, KVC'S STAR PROGRAM REPRESENTS AN INPATIENT PROGRAM PROVIDED FOR THE STATE, ALLOWING KANSAS TO CLOSE ITS PREVIOUSLY STATE OPERATED, INPATIENT PROGRAMS FOR CHILDREN AND ADOLESCENTS (SEE CONTINUATION ON SCHEDULE O)

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

Other program services (Describe in Schedule O)

(Expenses \$ **including grants of \$**) (Revenue \$

**4e Total program service expenses**  \$ 16,173,364

**Part IV Checklist of Required Schedules**

**1** Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.

**2** Is the organization required to complete Schedule B, Schedule of Contributors (see instruction)?

**3** Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.

**4** **Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.

**5** Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.

**6** Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.

**7** Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II.

**8** Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.

**9** Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.

**10** Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V.

**11** If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable

**a** Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.

**b** Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.

**c** Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.

**d** Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.

**e** Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part 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)? If "Yes," complete Schedule D, Part XI.

**12a** Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.

**b** Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.

**13** Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E

**14a** Did the organization maintain an office, employees, or agents outside of the United States?

**b** Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Parts I and IV.

**15** Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U.S.? If "Yes," complete Schedule F, Parts II and IV.

**16** Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U.S.? If "Yes," complete Schedule F, Parts III and IV.

**17** Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)

**18** Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II.

**19** Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.

**20a** Did the organization operate one or more hospitals? If "Yes," complete Schedule H.

**b** If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)

	Yes	No
<b>1</b>	Yes	
<b>2</b>	Yes	
<b>3</b>		No
<b>4</b>	Yes	
<b>5</b>		
<b>6</b>		No
<b>7</b>		No
<b>8</b>		No
<b>9</b>		No
<b>10</b>		No
<b>11a</b>	Yes	
<b>11b</b>		No
<b>11c</b>		No
<b>11d</b>		No
<b>11e</b>		No
<b>11f</b>	Yes	
<b>12a</b>		No
<b>12b</b>	Yes	
<b>13</b>		No
<b>14a</b>		No
<b>14b</b>		No
<b>15</b>		No
<b>16</b>		No
<b>17</b>		No
<b>18</b>		No
<b>19</b>		No
<b>20a</b>	Yes	
<b>20b</b>	Yes	

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

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b-24d and complete Schedule K. If "No," go to line 25	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)	28a		No
a	A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28b		No
b	A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV	28c		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV	29		No
30	Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	30		No
31	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	31		No
32	Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I	32		No
33	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II	33		No
34	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? If "Yes," complete Schedule R, Part I	34	Yes	
35	Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1	35		No
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		Yes	<input checked="" type="checkbox"/> No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O	38	Yes	

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

Check if Schedule O contains a response to any question in this Part V

		Yes	No
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	186
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return	2a	322
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b	Yes
<p><b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)</p>			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b	
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No
<b>b</b>	If "Yes," enter the name of the foreign country ► See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>	7a	No
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7b	
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c	No
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d	
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year	7e	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7f	
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7g	
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7h	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	8	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	9a	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>	9b	
<b>a</b>	Did the organization make any taxable distributions under section 4966?		
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?		
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter	10a	
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12	10b	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter	11a	
<b>a</b>	Gross income from members or shareholders	11b	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)		
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	12a	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>	13a	
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state?		
<p><b>Note.</b> See the instructions for additional information the organization must report on Schedule O</p>			
<b>b</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	
<b>c</b>	Enter the amount of reserves on hand	13c	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	

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

Check if Schedule O contains a response to any question in this Part VI

### Section A. Governing Body and Management

1a Enter the number of voting members of the governing body at the end of the tax year . . . . .

1a	6
1b	0

b Enter the number of voting members included in line 1a, above, who are independent . . . . .

2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .

3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .

4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .

5 Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .

6 Does the organization have members or stockholders? . . . . .

7a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .

b Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .

8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following

a The governing body? . . . . .

b Each committee with authority to act on behalf of the governing body? . . . . .

9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .

	Yes	No
1a	6	
1b	0	
2		No
3		No
4		No
5		No
6	Yes	
7a	Yes	
7b	Yes	
8a	Yes	
8b	Yes	
9		No

### Section B. Policies

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

10a Does the organization have local chapters, branches, or affiliates? . . . . .

b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .

11a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .

b Describe in Schedule O the process, if any, used by the organization to review this Form 990 . . . . .

12a Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .

b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .

c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done . . . . .

13 Does the organization have a written whistleblower policy? . . . . .

14 Does the organization have a written document retention and destruction policy? . . . . .

15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?

a The organization's CEO, Executive Director, or top management official . . . . .

b Other officers or key employees of the organization . . . . .

If "Yes" to line 15a or 15b, describe the process in Schedule O (See instructions )

16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .

b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .

	Yes	No
10a		No
10b		
11a	Yes	
12a	Yes	
12b	Yes	
12c	Yes	
13	Yes	
14	Yes	
15a		No
15b		No
16a		No
16b		

### Section C. Disclosure

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

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you make these available. Check all that apply  
 Own website  Another's website  Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ►  
 PAUL W KLAYDER  
 21350 W 153RD ST  
 OLATHE, KS 66061  
 (913) 322-4900

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

Check if Schedule O contains a response to any question 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, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

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

Just persons in the following order: individual trustees or directors, institutional trustees, officers, key employees, highest

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

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

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

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

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

## **Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
VISHAL ADMA MD PA	CONTRACTED SERVICES	395,248
PROFESSIONAL NURSING SERVICES	CONTRACTED SERVICES	207,448
RAGHUVARDHAN DAVALAPUR MD	CONTRACTED SERVICES	185,150
HESS MEDICAL SERVICES PA	CONTRACTED SERVICES	128,206
PHYSICIANS REFERENCE LAB LLC	CONTRACTED SERVICES	109,584

**Part VIII Statement of Revenue**

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
<b>Contributions, grants and other similar amounts</b>	<b>1a</b> Federated campaigns . . . . .	<b>1a</b>	63,694				
	<b>b</b> Membership dues . . . . .	<b>1b</b>					
	<b>c</b> Fundraising events . . . . .	<b>1c</b>					
	<b>d</b> Related organizations . . . . .	<b>1d</b>					
	<b>e</b> Government grants (contributions)	<b>1e</b>					
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>	332,910				
	<b>g</b> Noncash contributions included in lines 1a-1f \$						
	<b>h Total.</b> Add lines 1a-1f . . . . .			396,604			
<b>Program Service Revenue</b>	<b>2a</b> NET PATIENT SERVICE REVENUE			Business Code			
	<b>b</b>		624100	15,547,001	15,547,001		
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
	<b>f</b> All other program service revenue						
	<b>g Total.</b> Add lines 2a-2f . . . . .			15,547,001			
	<b>3</b> Investment income (including dividends, interest and other similar amounts) . . . . .						
<b>4</b> Income from investment of tax-exempt bond proceeds .			1,387			1,387	
<b>5</b> Royalties . . . . .			0				
<b>6a</b> Gross Rents	(I) Real	(II) Personal					
<b>b</b> Less rental expenses							
<b>c</b> Rental income or (loss)							
<b>d</b> Net rental income or (loss) . . . . .							
<b>7a</b> Gross amount from sales of assets other than inventory	(I) Securities	(II) Other					
<b>b</b> Less cost or other basis and sales expenses							
<b>c</b> Gain or (loss)							
<b>d</b> Net gain or (loss) . . . . .			0				
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .							
<b>a</b>							
<b>b</b> Less direct expenses . . . . .	<b>b</b>						
<b>c</b> Net income or (loss) from fundraising events . . . . .			0				
<b>9a</b> Gross income from gaming activities See Part IV, line 19 . . . . .	<b>a</b>						
<b>b</b> Less direct expenses . . . . .	<b>b</b>						
<b>c</b> Net income or (loss) from gaming activities . . . . .			0				
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .							
<b>a</b>							
<b>b</b> Less cost of goods sold . . . . .	<b>b</b>						
<b>c</b> Net income or (loss) from sales of inventory . . . . .			0				
<b>Miscellaneous Revenue</b>		Business Code					
<b>11a</b> MANAGEMENT FEE		561000	51,000			51,000	
<b>b</b>							
<b>c</b>							
<b>d</b> All other revenue . . . . .							
<b>e Total.</b> Add lines 11a-11d . . . . .			51,000				
<b>12 Total revenue.</b> See Instructions . . . . .			15,995,992	15,547,001	0	52,387	

**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) but are not required to complete columns (B), (C), and (D).**

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U S See Part IV, line 21	0			
2 Grants and other assistance to individuals in the U S See Part IV, line 22	502	502		
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees . . .	114,266	114,266		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . .	0			
7 Other salaries and wages	8,416,103	8,416,103		
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . .	0			
9 Other employee benefits . . . .	857,045	857,045		
10 Payroll taxes . . . . .	749,059	749,059		
a Fees for services (non-employees) Management . . . . .	1,285,500		1,285,500	
b Legal . . . . .	73,415	73,415		
c Accounting . . . . .	0			
d Lobbying . . . . .	0			
e Professional fundraising services See Part IV, line 17 . . .	0			
f Investment management fees . . . . .	0			
g Other . . . . .	2,635,122	2,635,122		
12 Advertising and promotion . . . .	6,802	6,802		
13 Office expenses . . . . .	1,399,825	1,399,825		
14 Information technology . . . . .	0			
15 Royalties . . . . .	0			
16 Occupancy . . . . .	964,501	964,501		
17 Travel . . . . .	165,466	165,466		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19 Conferences, conventions, and meetings . . . . .	39,902	39,902		
20 Interest . . . . .	9,149		9,149	
21 Payments to affiliates . . . . .	0			
22 Depreciation, depletion, and amortization . . . . .	445,509	445,509		
23 Insurance . . . . .	83,794		83,794	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a REPAIRS & MAINTENANCE	227,255	227,255		
b LICENSES & DUES	34,172	34,172		
c CLOTHING & INCIDENTALS	29,489	29,489		
d BAD DEBT EXPENSE	260,812		260,812	
e				
f All other expenses	15,978	14,931	1,047	
25 Total functional expenses. Add lines 1 through 24f	17,813,666	16,173,364	1,640,302	0
26 Joint costs. Check here <input checked="" type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

**Part X Balance Sheet**

		<b>(A)</b> Beginning of year	<b>(B)</b> End of year
Assets	1 Cash—non-interest-bearing . . . . .	0	<b>1</b> 339,261
	2 Savings and temporary cash investments . . . . .	355,699	<b>2</b> 56,560
	3 Pledges and grants receivable, net . . . . .	116,815	<b>3</b> 61,371
	4 Accounts receivable, net . . . . .	646,836	<b>4</b> 3,113,689
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L . . . . .	5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers, and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Schedule L . . . . .	6	
	7 Notes and loans receivable, net . . . . .	7	
	8 Inventories for sale or use . . . . .	8	
	9 Prepaid expenses and deferred charges . . . . .	16,865	<b>9</b> 149,761
	10a Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 2,375,927	
	b Less accumulated depreciation . . . . .	10b 1,219,878	<b>10c</b> 964,879 1,156,049
	11 Investments—publicly traded securities . . . . .	11	
	12 Investments—other securities See Part IV, line 11 . . . . .	12	
	13 Investments—program-related See Part IV, line 11 . . . . .	13	
	14 Intangible assets . . . . .	14	
	15 Other assets See Part IV, line 11 . . . . .	5,000	<b>15</b> 5,000
	<b>16 Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	2,106,094	<b>16</b> 4,881,691
Liabilities	17 Accounts payable and accrued expenses . . . . .	221,186	<b>17</b> 1,234,532
	18 Grants payable . . . . .	18	
	19 Deferred revenue . . . . .	29,141	<b>19</b> 75,597
	20 Tax-exempt bond liabilities . . . . .	20	
	21 Escrow or custodial account liability Complete Part IV of Schedule D . . . . .	21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L . . . . .	22	
	23 Secured mortgages and notes payable to unrelated third parties . . . . .	139,494	<b>23</b> 98,908
	24 Unsecured notes and loans payable to unrelated third parties . . . . .	24	
	25 Other liabilities Complete Part X of Schedule D . . . . .	25	
	<b>26 Total liabilities.</b> Add lines 17 through 25 . . . . .	389,821	<b>26</b> 1,409,037
Net Assets or Fund Balances	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>		
	27 Unrestricted net assets . . . . .	1,716,273	<b>27</b> 3,472,654
	28 Temporarily restricted net assets . . . . .	28	
	29 Permanently restricted net assets . . . . .	29	
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.</b>		
	30 Capital stock or trust principal, or current funds . . . . .	30	
	31 Paid-in or capital surplus, or land, building or equipment fund . . . . .	31	
	32 Retained earnings, endowment, accumulated income, or other funds . . . . .	32	
	<b>33 Total net assets or fund balances</b> . . . . .	1,716,273	<b>33</b> 3,472,654
	<b>34 Total liabilities and net assets/fund balances</b> . . . . .	2,106,094	<b>34</b> 4,881,691

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response to any question in this Part XI 

1	Total revenue (must equal Part VIII, column (A), line 12)	1	15,995,992
2	Total expenses (must equal Part IX, column (A), line 25)	2	17,813,666
3	Revenue less expenses Subtract line 2 from line 1	3	-1,817,674
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,716,273
5	Other changes in net assets or fund balances (explain in Schedule O)	5	3,574,055
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	3,472,654

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response to any question in this Part XII 

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

**SCHEDULE A**  
(Form 990 or 990EZ)**Public Charity Status and Public Support****2010****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service**Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.****► Attach to Form 990 or Form 990-EZ. ► See separate instructions.**Name of the organization  
KVC Hospitals Inc**Employer identification number**

27-1672159

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

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

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

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

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

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

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

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

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

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

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

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

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

e  a  Type I      b  Type II      c  Type III - Functionally integrated      d  Type III - Other

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

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

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

(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii) a family member of a person described in (i) above?

(iii) a 35% controlled entity of a person described in (i) or (ii) above?

	<b>Yes</b>	<b>No</b>
<b>11g(i)</b>		
<b>11g(ii)</b>		
<b>11g(iii)</b>		

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

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

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

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

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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 <b>Total.</b> 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 <b>Public Support.</b> Subtract line 5 from line 4						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 <b>Total support</b> (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions )					12	
13 <b>First Five Years</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b>						►

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

14 Public Support Percentage for 2010 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2009 Schedule A, Part II, line 14	15	
16a <b>33 1/3% support test—2010.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		►
b <b>33 1/3% support test—2009.</b> If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		►
17a <b>10%-facts-and-circumstances test—2010.</b> If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization		►
b <b>10%-facts-and-circumstances test—2009.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here</b> . Explain in Part IV how the organization meets the "facts and circumstances" test. The organization qualifies as a publicly supported organization		►
18 <b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions		►

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

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(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						
<b>6 Total.</b> Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
<b>c</b> Add lines 7a and 7b						
<b>8 Public Support</b> (Subtract line 7c from line 6 )						

**Section B. Total Support**

Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
<b>13 Total support</b> (Add lines 9, 10c, 11 and 12 )						
<b>14 First Five Years</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> ►						

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

15 Public Support Percentage for 2010 (line 8 column (f) divided by line 13 column (f))	15
16 Public support percentage from 2009 Schedule A, Part III, line 15	16

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

17 Investment income percentage for 2010 (line 10c column (f) divided by line 13 column (f))	17
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18
<b>19a 33 1/3% support tests—2010.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ►	
<b>b 33 1/3% support tests—2009.</b> 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 <b>stop here</b> . The organization qualifies as a publicly supported organization ►	
<b>20 Private Foundation</b> If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ►	

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

### **Facts And Circumstances Test**

**SCHEDULE C**  
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2010****For Organizations Exempt From Income Tax Under section 501(c) and section 527**

► Complete if the organization is described below.  
 ► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

**Open to Public  
Inspection**

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

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

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

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

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

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

Name of the organization KVC Hospitals Inc	Employer identification number 27-1672159
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**Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.**

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

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

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

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

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

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

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

**A** Check  if the filing organization belongs to an affiliated group 

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

<b>Limits on Lobbying Expenditures</b> (The term "expenditures" means amounts paid or incurred.)		<b>(a) Filing Organization's Totals</b>	<b>(b) Affiliated Group Totals</b>
<b>1a</b> Total lobbying expenditures to influence public opinion (grass roots lobbying)		0	0
<b>b</b> Total lobbying expenditures to influence a legislative body (direct lobbying)		0	62,693
<b>c</b> Total lobbying expenditures (add lines 1a and 1b)		0	62,693
<b>d</b> Other exempt purpose expenditures		17,813,666	140,993,828
<b>e</b> Total exempt purpose expenditures (add lines 1c and 1d)		17,813,666	141,056,521
<b>f</b> Lobbying nontaxable amount Enter the amount from the following table in both columns		1,000,000	4,747,161
<b>If the amount on line 1e, column (a) or (b) is:</b>	<b>The lobbying nontaxable amount is:</b>		
Not over \$500,000	20% of the amount on line 1e		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000		
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
Over \$17,000,000	\$1,000,000		
<b>g</b> Grassroots nontaxable amount (enter 25% of line 1f)		250,000	1,186,790
<b>h</b> Subtract line 1g from line 1a If zero or less, enter -0-			
<b>i</b> Subtract line 1f from line 1c If zero or less, enter -0-			
<b>j</b> If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input checked="" 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 instructions for lines 2a through 2f on page 4.)**

<b>Lobbying Expenditures During 4-Year Averaging Period</b>					
<b>Calendar year (or fiscal year beginning in)</b>	<b>(a) 2007</b>	<b>(b) 2008</b>	<b>(c) 2009</b>	<b>(d) 2010</b>	<b>(e) Total</b>
<b>2a</b> Lobbying non-taxable amount				4,747,161	4,747,161
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					7,120,742
<b>c</b> Total lobbying expenditures				62,693	62,693
<b>d</b> Grassroots non-taxable amount				1,186,790	1,186,790
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					1,780,185
<b>f</b> Grassroots lobbying expenditures				0	0

**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	
<b>1</b> During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
<b>a</b> Volunteers?				
<b>b</b> Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?				
<b>c</b> Media advertisements?				
<b>d</b> Mailings to members, legislators, or the public?				
<b>e</b> Publications, or published or broadcast statements?				
<b>f</b> Grants to other organizations for lobbying purposes?				
<b>g</b> Direct contact with legislators, their staffs, government officials, or a legislative body?				
<b>h</b> Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?				
<b>i</b> Other activities? If "Yes," describe in Part IV				
<b>j</b> Total lines 1c through 1i				
<b>2a</b> Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?				
<b>b</b> If "Yes," enter the amount of any tax incurred under section 4912				
<b>c</b> If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
<b>d</b> If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

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

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

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

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

**Part IV Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 11. Also, complete this part for any additional information

Identifier	Return Reference	Explanation

**SCHEDULE D**  
(Form 990)**Supplemental Financial Statements****2010****Open to Public  
Inspection**Department of the Treasury  
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990,  
Part IV, line 6, 7, 8, 9, 10, 11, or 12.  
► Attach to Form 990. ► See separate instructions.

**Name of the organization**  
KVC Hospitals Inc**Employer identification number**

27-1672159

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

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

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

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)

Preservation of land for public use (e.g., recreation or pleasure)  Preservation of an historically importantly land area

Protection of natural habitat  Preservation of a certified historic structure

Preservation of open space

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

	<b>Held at the End of the Year</b>
2a	
2b	
2c	
2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► \_\_\_\_\_

4 Number of states where property subject to conservation easement is located ► \_\_\_\_\_

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

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► \_\_\_\_\_

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$ \_\_\_\_\_

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

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

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

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

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

(i) Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X ► \$ \_\_\_\_\_

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

a Revenues included in Form 990, Part VIII, line 1 ► \$ \_\_\_\_\_

b Assets included in Form 990, Part X ► \$ \_\_\_\_\_

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

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

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

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

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

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

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

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

	Amount
1c	
1d	
1e	
1f	

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

b If "Yes," explain the arrangement in Part XIV

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

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance . . . . .					
b Contributions . . . . .					
c Investment earnings or losses . . . . .					
d Grants or scholarships . . . . .					
e Other expenditures for facilities and programs . . . . .					
f Administrative expenses . . . . .					
g End of year balance . . . . .					

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ►  
 b Permanent endowment ►  
 c Term endowment ►

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

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

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

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

Yes	No
3a(i)	
3a(ii)	
3b	

**Part VI Investments—Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

	Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .					
b Buildings . . . . .					
c Leasehold improvements . . . . .		1,068,123	549,538	518,585	
d Equipment . . . . .		1,302,923	670,340	632,583	
e Other . . . . .		4,881		4,881	
<b>Total.</b> Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . .				1,156,049	

**Part VII Investments—Other Securities.** See Form 990, Part X, line 12

<b>(a) Description of security or category (including name of security)</b>	<b>(b) Book value</b>	<b>(c) Method of valuation</b>
		Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		

---

**Total.** (Column (b) should equal Form 990, Part X, col (B) line 12)

**Part VIII Investments—Program Related.** See Form 990, Part X, line 13

---

**Total.** (Column (b) should equal Form 990, Part X, col (B) line 13)

**Part IX Other Assets.** See Form 990, Part X, line 15

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

**Part X Other Liabilities.** See Form 990, Part X, line 25.

1	(a) Description of Liability	(b) Amount
	Federal Income Taxes	0
</		

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

**Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements**

1 Total revenue (Form 990, Part VIII, column (A), line 12)	1
2 Total expenses (Form 990, Part IX, column (A), line 25)	2
3 Excess or (deficit) for the year Subtract line 2 from line 1	3
4 Net unrealized gains (losses) on investments	4
5 Donated services and use of facilities	5
6 Investment expenses	6
7 Prior period adjustments	7
8 Other (Describe in Part XIV)	8
9 Total adjustments (net) Add lines 4 - 8	9
10 Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10

**Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

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 on investments . . . . .	2a
b Donated services and use of facilities . . . . .	2b
c Recoveries of prior year grants . . . . .	2c
d Other (Describe in Part XIV) . . . . .	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 XIV) . . . . .	4b
c Add lines 4a and 4b . . . . .	4c
5 Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12 ) . . . . .	5

**Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

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 XIV) . . . . .	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 XIV) . . . . .	4b
c Add lines 4a and 4b . . . . .	4c
5 Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18 ) . . . . .	5

**Part XIV Supplemental Information**

Complete this part to 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, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
UNCERTAIN TAX POSITIONS DISCLOSURE	SCHEDULE D, PART X, LINE 2	MANAGEMENT HAS EVALUATED THEIR INCOME TAX POSITIONS UNDER THE GUIDANCE INCLUDED IN ASC 740 BASED ON THEIR REVIEW, MANAGEMENT HAS NOT IDENTIFIED ANY MATERIAL UNCERTAIN TAX POSITIONS TO BE RECORDED OR DISCLOSED IN THE FINANCIAL STATEMENTS

SCHEDULE H  
(Form 990)

## Hospitals

OMB No 1545-0047

2010

Open to Public  
InspectionDepartment of the Treasury  
Internal Revenue Service► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
► Attach to Form 990. ► See separate instructions.Name of the organization  
KVC Hospitals Inc

Employer identification number

27-1672159

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

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a .  
 b If "Yes," is it a written policy? . . . . .  
 2 If the organization has multiple hospitals, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  
 Applied uniformly to all hospitals  Applied uniformly to most hospitals  
 Generally tailored to individual hospitals

3 Answer the following based on the the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  
 a Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  
 100%  150%  200%  Other \_\_\_\_\_ %  
 b Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care  
 200%  250%  300%  350%  400%  Other 150. %  
 c If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine 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"? . . . . .  
 5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .  
 b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .  
 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 Does the organization prepare a community benefit report during the tax year? . . . . .  
 6b If "Yes," did the organization make it available to the public? . . . . .  
 Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H

	Yes	No
1a	Yes	
1b	Yes	
3a	Yes	
3b	Yes	
4	Yes	
5a	Yes	
5b		No
5c		
6a		No
6b		

## 7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			0	0	0	0 %
b Unreimbursed Medicaid (from Worksheet 3, column a)			11,854,655	11,569,904	284,751	1 600 %
c Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)			0	0	0	0 %
d Total Financial Assistance and Means-Tested Government Programs			11,854,655	11,569,904	284,751	1 600 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4)			0	0	0	0 %
f Health professions education (from Worksheet 5)			0	0	0	0 %
g Subsidized health services (from Worksheet 6)			0	0	0	0 %
h Research (from Worksheet 7)			0	0	0	0 %
i Cash and in-kind contributions to community groups (from Worksheet 8)			0	0	0	0 %
j Total Other Benefits			0	0	0	0 %
k Total. Add lines 7d and 7j			11,854,655	11,569,904	284,751	1 600 %

**Part II Community Building Activities** during the tax year, and describe in Part VI how its community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

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

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

**Section A. Bad Debt Expense**

		Yes	No
<b>1</b> Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15? . . . . .	<b>1</b>		No
<b>2</b> Enter the amount of the organization's bad debt expense (at cost) . . . . .	<b>2</b>	0	
<b>3</b> Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	<b>3</b>	0	
<b>4</b> Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit			

**Section B. Medicare**

<b>5</b> Enter total revenue received from Medicare (including DSH and IME) . . . . .	<b>5</b>	0	
<b>6</b> Enter Medicare allowable costs of care relating to payments on line 5 . . . . .	<b>6</b>	0	
<b>7</b> Subtract line 6 from line 5 This is the surplus or (shortfall) . . . . .	<b>7</b>	0	
<b>8</b> Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used			

Cost accounting system

Cost to charge ratio

Other

**Section C. Collection Practices**

<b>9a</b> Does the organization have a written debt collection policy? . . . . .	<b>9a</b>	Yes	
<b>b</b> If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI . . . . .	<b>9b</b>	Yes	

**Part IV Management Companies and Joint Ventures**

	(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 %
<b>1</b>					
<b>2</b>					
<b>3</b>					
<b>4</b>					
<b>5</b>					
<b>6</b>					
<b>7</b>					
<b>8</b>					
<b>9</b>					
<b>10</b>					
<b>11</b>					
<b>12</b>					
<b>13</b>					

## Part V | Facility Information

## **Section A. Hospital Facilities**

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 2

**Part V Facility Information (continued)****Section B. Facility Policies and Practices.**

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

Name of Hospital Facility: PRARIE RIDGELine Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . .	<b>1</b>		
If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a <input type="checkbox"/> A definition of the community served by the hospital facility			
b <input type="checkbox"/> Demographics of the community			
c <input 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 type="checkbox"/> How data was obtained			
e <input type="checkbox"/> The health needs of the community			
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs			
h <input type="checkbox"/> The process for consulting with persons representing the community's interests			
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j <input type="checkbox"/> Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment <u>20</u> . . . . .			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	<b>3</b>		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	<b>4</b>		
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . .	<b>5</b>		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a <input type="checkbox"/> Hospital facility's website			
b <input type="checkbox"/> Available upon request from the hospital facility			
c <input type="checkbox"/> Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b <input type="checkbox"/> Execution of the implementation strategy			
c <input type="checkbox"/> Participation in the development of a community-wide community benefit plan			
d <input type="checkbox"/> Participation in the execution of a community-wide community benefit plan			
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans			
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g <input type="checkbox"/> Prioritization of health needs in the community			
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	<b>7</b>		
<b>Financial Assistance Policy</b>			
Did the hospital facility have in place during the tax year a written financial assistance policy that			
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	<b>8</b>		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? . . . . .	<b>9</b>		
If "Yes," indicate the FPG family income limit for eligibility for free care <u>  %</u>			

**Part V Facility Information (continued)**

**10** Used FPG to determine eligibility for providing *discounted* care to low income individuals? . . . . .  
 If "Yes," indicate the FPG family income limit for eligibility for discounted care \_\_\_\_%

**11** Explained the basis for calculating amounts charged to patients? . . . . .  
 If "Yes," indicate the factors used in determining such amounts (check all that apply)

**a**  Income level  
**b**  Asset level  
**c**  Medical indigency  
**d**  Insurance status  
**e**  Uninsured discount  
**f**  Medicaid/Medicare  
**g**  State regulation  
**h**  Other (describe in Part VI)

**12** Explained the method for applying for financial assistance? . . . . .

**13** Included measures to publicize the policy within the community served by the hospital facility? . . . . .  
 If "Yes," indicate how the hospital facility publicized the policy (check all that apply)

**a**  The policy was posted at all times on the hospital facility's web site  
**b**  The policy was attached to all billing invoices  
**c**  The policy was posted in the hospital facility's emergency rooms or waiting rooms  
**d**  The policy was posted in the hospital facility's admissions offices  
**e**  The policy was provided, in writing, to patients upon admission to the hospital facility  
**f**  The policy was available upon request  
**g**  Other (describe in Part VI)

	<b>Yes</b>	<b>No</b>
<b>10</b>		
<b>11</b>		
<b>12</b>		
<b>13</b>		

**Billing and Collections**

**14** Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment? . . . . .  
**14**

**15** Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year  
**a**  Reporting to credit agency  
**b**  Lawsuits  
**c**  Liens on residences  
**d**  Body attachments  
**e**  Other (describe in Part VI)

**16** Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year? . . . . .  
 If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)  
**a**  Reporting to credit agency  
**b**  Lawsuits  
**c**  Liens on residences  
**d**  Body attachments  
**e**  Other (describe in Part VI)  
**16**

**17** Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)  
**a**  Notified patients of the financial assistance policy upon admission  
**b**  Notified patients of the financial assistance policy prior to discharge  
**c**  Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills  
**d**  Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance  
**e**  Other (describe in Part VI)

**Part V Facility Information (continued)****Policy Relating to Emergency Medical Care**

**18** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate the reasons why (check all that apply)

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility did not have a policy relating to emergency medical care
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

	Yes	No
<b>18</b>		

**Charges for Medical Care**

**19** Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)

- a**  The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility
- b**  The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility
- c**  The hospital facility used the Medicare rate for those services
- d**  Other (describe in Part VI)

<b>20</b>		
<b>21</b>		

**20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

If "Yes," explain in Part VI

**21** Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient? . . . . .

If "Yes," explain in Part VI

**Part V Facility Information (continued)****Section B. Facility Policies and Practices.**

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

Name of Hospital Facility: WHEATLANDLine Number of Hospital Facility (from Schedule H, Part V, Section A): 2

	Yes	No
<b>Community Health Needs Assessment</b> (Lines 1 through 7 are optional for 2010)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . .	1	
If "Yes," indicate what the Needs Assessment describes (check all that apply)		
a <input type="checkbox"/> A definition of the community served by the hospital facility		
b <input type="checkbox"/> Demographics of the community		
c <input 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 type="checkbox"/> How data was obtained		
e <input type="checkbox"/> The health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess all of the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a Needs Assessment <u>20</u> . . . . .		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . .	5	
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)		
a <input type="checkbox"/> Hospital facility's website		
b <input type="checkbox"/> Available upon request from the hospital facility		
c <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)		
a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide community benefit plan		
d <input type="checkbox"/> Participation in the execution of a community-wide community benefit plan		
e <input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the Needs Assessment		
g <input type="checkbox"/> Prioritization of health needs in the community		
h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
<b>Financial Assistance Policy</b>		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals? . . . . .	9	
If "Yes," indicate the FPG family income limit for eligibility for free care <u>  %</u>		

**Part V Facility Information (continued)**

**10** Used FPG to determine eligibility for providing *discounted* care to low income individuals? . . . . .  
 If "Yes," indicate the FPG family income limit for eligibility for discounted care \_\_\_\_%

**11** Explained the basis for calculating amounts charged to patients? . . . . .  
 If "Yes," indicate the factors used in determining such amounts (check all that apply)

**a**  Income level  
**b**  Asset level  
**c**  Medical indigency  
**d**  Insurance status  
**e**  Uninsured discount  
**f**  Medicaid/Medicare  
**g**  State regulation  
**h**  Other (describe in Part VI)

**12** Explained the method for applying for financial assistance? . . . . .

**13** Included measures to publicize the policy within the community served by the hospital facility? . . . . .  
 If "Yes," indicate how the hospital facility publicized the policy (check all that apply)

**a**  The policy was posted at all times on the hospital facility's web site  
**b**  The policy was attached to all billing invoices  
**c**  The policy was posted in the hospital facility's emergency rooms or waiting rooms  
**d**  The policy was posted in the hospital facility's admissions offices  
**e**  The policy was provided, in writing, to patients upon admission to the hospital facility  
**f**  The policy was available upon request  
**g**  Other (describe in Part VI)

	<b>Yes</b>	<b>No</b>
<b>10</b>		
<b>11</b>		
<b>12</b>		
<b>13</b>		

**Billing and Collections**

**14** Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment? . . . . .  
**14**

**15** Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year  
**a**  Reporting to credit agency  
**b**  Lawsuits  
**c**  Liens on residences  
**d**  Body attachments  
**e**  Other (describe in Part VI)

**16** Did the hospital facility engage in or authorize a third party to engage in any of the following collection actions during the tax year? . . . . .  
 If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)  
**a**  Reporting to credit agency  
**b**  Lawsuits  
**c**  Liens on residences  
**d**  Body attachments  
**e**  Other (describe in Part VI)  
**16**

**17** Indicate which actions the hospital facility took before initiating any of the collection actions checked in question 16 (check all that apply)  
**a**  Notified patients of the financial assistance policy upon admission  
**b**  Notified patients of the financial assistance policy prior to discharge  
**c**  Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills  
**d**  Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance  
**e**  Other (describe in Part VI)

**Part V Facility Information (continued)****Policy Relating to Emergency Medical Care**

**18** Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . .

If "No," indicate the reasons why (check all that apply)

- a**  The hospital facility did not provide care for any emergency medical conditions
- b**  The hospital facility did not have a policy relating to emergency medical care
- c**  The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)
- d**  Other (describe in Part VI)

	Yes	No
<b>18</b>		

**Charges for Medical Care**

**19** Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)

- a**  The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility
- b**  The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility
- c**  The hospital facility used the Medicare rate for those services
- d**  Other (describe in Part VI)

<b>20</b>		
<b>21</b>		

**20** Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . .

If "Yes," explain in Part VI

**21** Did the hospital facility charge any of its patients an amount equal to the gross charge for services provided to that patient? . . . . .

If "Yes," explain in Part VI

**Part V Facility Information (continued)****Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**  
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? \_\_\_\_\_

Name and address	Type of Facility (Describe)
1	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

**Part VI Supplemental Information**

Complete this part to provide the following information

- 1 **Required descriptions.** Provide the description required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 4	ACCOUNTS RECEIVABLE ARE STATED AT THE NET REALIZABLE VALUE, WHICH IS THE AMOUNT MANAGEMENT EXPECTS TO COLLECT FROM OUTSTANDING BALANCES. THE ORGANIZATION PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS, WHICH IS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS. ACCOUNTS RECEIVABLE ARE ORDINARILY DUE 30 DAYS AFTER THE ISSUANCE OF THE INVOICE. ACCOUNTS PAST DUE MORE THAN 90 DAYS ARE CONSIDERED DELINQUENT. DELINQUENT RECEIVABLES ARE WRITTEN OFF BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTANCES OF THE CUSTOMER. THE BAD DEBT EXPENSE IS FROM THOSE CLIENTS THAT DO NOT QUALIFY FOR CHARITY CARE OR FOR FINANCIAL ASSISTANCE THAT ARE NOT EXPECTED TO PAY THE COST OF THE VISITS. THE AMOUNT OF REVENUE RECORDED FROM THE BAD DEBT, DIVIDING BY TOTAL REVENUE, MULTIPLYING BY THE PROFIT FOR THE YEAR, THEN SUBTRACTING THAT FROM THE BAD DEBT REVENUE RECORDED.

Identifier	ReturnReference	Explanation
COLLECTION PRACTICES	SCHEDULE H, PART III, LINE 9B	KVC DOES NOT SEND CHARITY CARE OR FINANCIAL ASSISTANCE CLIENTS TO COLLECTION AGENCIES KVC WORKS WITH THESE CLIENTS TO SET UP PAYMENT PLANS THAT THE CLIENT CAN MAINTAIN

Identifier	ReturnReference	Explanation
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	The Wheatland hospital was created in cooperation with the State of Kansas. The State of Kansas assessed the need for a psychiatric hospital for the Central and Western part of Kansas. Prairie Ridge provides mental health care to the communities it serves. This need is assessed by discussing inpatient mental health needs with state foster care contractors, other hospitals and community mental health centers. The state of Kansas has also assessed the need for these services.

Identifier	ReturnReference	Explanation
PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE	SCHEDULE H, PART VI, LINE 3	KVC'S CHARITY CARE POLICY IS ON THE COMPANY'S WEBSITE (KVC.ORG) AND GIVEN OUT UPON ADMISSION. THE MAJORITY OF CLIENTS SERVED BY KVC ARE ALREADY ON A FEDERAL, STATE OR LOCAL PROGRAM

Identifier	ReturnReference	Explanation
COMMUNITY INFORMATION	SCHEDULE H, PART VI, LINE 4	Wheatland serves children from central and western Kansas. This is a large geographical area which covers approximately half of the state. The clients generally come from low income or low middle income households. Prairie Ridge serves the need of low to middle income families that reside in the eastern part of Kansas and in the southern and eastern portions of Nebraska.

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	BOTH HOSPITALS ARE PSYCHIATRIC HOSPITALS, NOT GENERAL HOSPITALS THE TRAINING PROVIDED IN THE COMMUNITY IS THAT OF EXPANDING THE UNDERSTANDING OF MENTAL HEALTH ISSUES IN PRE-ADOLESCENTS AND ADOLESCENTS COMMUNITY PROVIDERS ARE INVITED TO TRAININGS WHERE KVC PROFESSIONALS PRESENT AND/OR WHERE KVC BRINGS IN NATIONAL TRAINERS AND EXPERTS THESE EVENTS ARE HELD SO THAT COMMUNITY PRACTITIONERS CAN BE TRAINED ON NEW THERAPIES AND TO PROMOTE CONTINUITY AND PROFESSIONAL GROWTH IN THE TREATMENT CULTURES OF OUR VARIOUS COMMUNITIES

**Schedule H (Form 990) 2010**

**Schedule J**  
(Form 990)**Compensation Information**

OMB No 1545-0047

**2010**Department of the Treasury  
Internal Revenue Service

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  
**► Complete if the organization answered "Yes" to Form 990, Part IV, question 23.**  
**► Attach to Form 990. ► See separate instructions.**

**Open to Public Inspection****Name of the organization**  
KVC Hospitals Inc**Employer identification number**

27-1672159

**Part I Questions Regarding Compensation**

Yes No

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

<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 (e.g., maid, chauffeur, chef)

**b** If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all 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 officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

**3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

<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 in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization

**a** Receive a severance payment or change-of-control payment from the organization or a related organization?

**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 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.**

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

**a** The organization?

**b** Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

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

**a** The organization?

**b** Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

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

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

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

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

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

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

**Note.** The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) B WAYNE SIMS-SEE SCH O	(i) 0 (ii) 229,324	0 18,000	0 53,061	0 7,913	0 308,298	0 0	0 0
(2) ANNE ROBERTS-SEE SCH O	(i) 0 (ii) 160,755	0 12,000	0 12,591	0 8,351	0 193,697	0 0	0 0
(3) PAUL KLAYDER-SEE SCH O	(i) 0 (ii) 147,246	0 10,000	0 12,458	0 10,236	0 179,940	0 0	0 0
(4) SHERRY LOVE-SEE SCH O	(i) 0 (ii) 156,513	0 10,000	0 12,514	0 7,179	0 186,206	0 0	0 0
(5) JYOTSNA ADMA	(i) 101,220 (ii) 58,710	0 0	0 1,614	11,669 0	114,503 66,805	0 0	0 0
(6) JAMES C VAN DOREN	(i) 172,461 (ii) 4,808	36,666 73,334	0 0	0 0	2,970 0	212,097 78,142	0 0
( 7 )							
( 8 )							
( 9 )							
( 10 )							
( 11 )							
( 12 )							
( 13 )							
( 14 )							
( 15 )							
( 16 )							

**Part III Supplemental Information**

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

Identifier	Return Reference	Explanation
SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN	SCHEDULE J, PART 1, LINE 4B	B WAYNE SIMS \$ 50,000 ANNE ROBERTS \$ 10,000 PAUL KLAYDER \$ 10,000 SHERRY LOVE \$ 10,000
COMPENSATION FROM RELATED ORGANIZATION	FORM 990, PART VII, SECTION A & SCHEDULE J, PART II	THE COMPENSATION REPORTED ON FORM 990, PART VII, SECTION A & SCHEDULE J, PART II WAS PAID BY A RELATED TAX EXEMPT ORGANIZATION, KVC HEALTH SYSTEMS, INC OR KVC BEHAVIORAL HEALTHCARE, INC KVC HEALTH SYSTEMS, INC USES A COMPENSATION COMMITTEE, INDEPENDENT COMPENSATION CONSULTANT, FORM 990 OF OTHER ORGANIZATIONS, COMPENSATION SURVEY OR STUDY, AND APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE TO ESTABLISH THE COMPENSTION OF B WAYNE SIMS, BOARD PRESIDENT OF KVC HOSPITALS, INC AND PRESIDENT/CEO OF KVC HEALTH SYSTEMS, INC

**SCHEDULE O**  
(Form 990 or 990-EZ)Department of the Treasury  
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.  
► Attach to Form 990 or 990-EZ.

**2010****Open to Public  
Inspection****Name of the organization**

KVC Hospitals Inc

**Employer identification number**

27-1672159

Identifier	Return Reference	Explanation
NEW PROGRAM SERVICE	FORM 990, PART III, LINE 2	KVC HOSPITALS, INC TOOK OVER THE OPERATION OF PRAIRIE RIDGE PSYCHIATRIC HOSPITAL FROM KVC BEHAVIORAL HEALTHCARE, INC , A RELATED TAX EXEMPT ORGANIZATION

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENT	FORM 990, PART III, LINE 4A	THIS PROGRAM'S "NO REJECT-NO EJECT" ADMISSIONS POLICY REFLECTS ITS "SAFETY NET" STATUS FOR WESTERN KANSAS OUTPATIENT SERVICES, INCLUDING IN-HOME THERAPY, ARE PROVIDED IN KANSAS KVC SERVES AS A TEACHING SITE FOR FELLOWS FROM THE UNIVERSITY OF KANSAS MEDICAL CENTER COMPLETING THEIR CHILD PSYCHIATRY ROTATIONS AS WELL AS FOR SOCIAL WORKERS AND NURSES FROM NUMEROUS AREA UNIVERSITIES AND PROGRAMS

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENT	FORM 990, PART III, LINE 4B	THIS PROGRAM'S "NO REJECT-NO EJECT" ADMISSIONS POLICY REFLECTS ITS "SAFETY NET" STATUS FOR EASTERN KANSAS OUTPATIENT SERVICES, INCLUDING IN-HOME THERAPY, ARE PROVIDED IN KANSAS AND MISSOURI. KVC SERVES AS A TEACHING SITE FOR FELLOWS FROM THE UNIVERSITY OF KANSAS MEDICAL CENTER COMPLETING THEIR CHILD PSYCHIATRY ROTATIONS AS WELL AS FOR SOCIAL WORKERS AND NURSES FROM NUMEROUS AREA UNIVERSITIES AND PROGRAMS

Identifier	Return Reference	Explanation
MEMBERS	FORM 990, PART VI, SECTION A, LINE 6	KVC HEALTH SYSTEMS, INC , A KANSAS NOT-FOR-PROFIT CORPORATION, IS THE SOLE MEMBER OF KVC HOSPITALS, INC KVC HEALTH SYSTEMS, INC IS DESIGNATED AS THE SOLE MEMBER AS LONG AS KVC HEALTH SYSTEMS, INC CONTINUES TO QUALIFY AS A QUALIFIED ORGANIZATION AS DESCRIBED IN SECTION 501(C)(3) AND SECTIONS 509(A)(3) OF THE IRC KVC HEALTH SYSTEMS, INC HAS THE RIGHT TO CHANGE THE NUMBER OF DIRECTORS, TO APPOINT AND ELECT AND REMOVE THE MEMBERS OF KVC HOSPITALS, INC 'S BOARD OF DIRECTORS KVC HEALTH SYSTEMS, INC HAS THE POWER TO APPROVE SIGNIFICANT DECISIONS OF KVC HOSPITALS, INC KVC HEALTH SYSTEMS, INC IS NOT ENTITLED TO RECEIVE A SHARE OF KVC HOSPITALS, INC 'S PROFITS KVC HEALTH SYSTEMS, INC IS ENTITLED TO KVC HOSPITALS, INC 'S NET ASSETS UPON DISSOLUTION

Identifier	Return Reference	Explanation
MEMBERS MAY ELECT GOVERNING BOARD	FORM 990, PART VI, SECTION A, LINE 7A	KVC HEALTH SYSTEMS, INC BEING THE SOLE MEMBER OF KVC HOSPITALS, INC HAS THE RIGHT TO ELECT ALL MEMBERS OF THE BOARD OF DIRECTORS

Identifier	Return Reference	Explanation
GOVERNING BOARD DECISIONS SUBJECT TO APPROVAL OF MEMBERS	FORM 990, PART VI, SECTION A, LINE 7B	THE CORPORATE BYLAWS OF KVC HOSPITALS, INC IDENTIFY CERTAIN RIGHTS AND POWERS WHICH ARE RESERVED TO KVC HEALTH SYSTEMS, INC THE SOLE MEMBER IN EACH INSTANCE, THE RIGHTS AND POWERS RESERVED TO THE SOLE MEMBER MAY BE SUMMARIZED AS FOLLOWS 1 BOARD OF DIRECTORS THE SOLE MEMBER HAS THE POWER TO ELECT THE BOARD OF DIRECTORS, REMOVE DIRECTORS, AND CHANGE THE NUMBER OF DIRECTORS 2 ARTICLES OF INCORPORATION AND BYLAWS KVC HOSPITALS, INC ARTICLES OF INCORPORATION AND BYLAWS MAY BE AMENDED BY THE SOLE MEMBER 3 ANNUAL BUDGETS THE SOLE MEMBER HAS THE POWER TO APPROVE OR DISAPPROVE ANNUAL BUDGETS ADOPTED BY THE BOARD OF DIRECTORS AND TO ESTABLISH LEVELS OF APPROVAL AUTHORITY FOR KVC HOSPITALS, INC 4 DISSOLUTION OR LIQUIDATION THE SOLE MEMBER HAS THE POWER TO APPROVE IN ADVANCE ANY PROPOSED DISSOLUTION AND/OR LIQUIDATION OF KVC HOSPITALS, INC

Identifier	Return Reference	Explanation
REVIEW PROCESS OF FORM 990	FORM 990, PART VI, SECTION B, LINE 11B	AN INDEPENDENT ACCOUNTING FIRM PREPARES AND REVIEWS THE 990. THE 990 IS THEN REVIEWED BY THE ORGANIZATION'S OFFICERS AND ACCOUNTING PERSONNEL. ANY QUESTIONS OR CONCERNS THE ORGANIZATION'S OFFICERS AND ACCOUNTING PERSONNEL HAVE ARE ADDRESSED AND ANY CORRECTIONS OR CLARIFICATIONS THAT NEED TO BE MADE ARE MADE. THE FINAL FORM 990 WITH ALL REQUIRED SCHEDULES IS THEN PROVIDED TO ALL VOTING MEMBERS OF THE BOARD PRIOR TO FILING THE 990.

Identifier	Return Reference	Explanation
CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, LINE 12C	EACH YEAR BOARD MEMBERS AND OFFICERS FILL OUT A PACKET THAT DETAILS ANY CONFLICTS OF INTEREST. THE CFO REVIEWS THE PACKETS TO DETERMINE IF THERE ARE ANY CONFLICTS OF INTEREST. IF ANY CONFLICT EXIST, THE BOARD MEMBER WITH THE CONFLICT DOES NOT PARTICIPATE IN THE DISCUSSION OR VOTE ON THE ISSUE INVOLVING THE CONFLICT.

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
AVAILABILITY OF GOVERNING DOCUMENTS	FORM 990, PART VI, SECTION C, LINE 19	THE ORGANIZATION'S GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY ARE AVAILABLE UPON REQUEST TO THE ACCOUNTING MANAGERS. FINANCIAL STATEMENT INFORMATION THAT WAS USED TO PREPARE THE 990 IS AVAILABLE AT <a href="http://WWW.GUIDESTAR.ORG">WWW.GUIDESTAR.ORG</a>

Identifier	Return Reference	Explanation
EXECUTIVE COMPENSATION DETAIL	FORM 990, PART VII & SCHEDULE J, PART II	THE FOUR EXECUTIVE OFFICERS (CHIEF EXECUTIVE OFFICER, CHIEF OPERATING OFFICER, CHIEF FINANCIAL OFFICER, AND CHIEF CLINICAL OFFICER) OVERSEE AND PERFORM DUTIES FOR ALL OF THE COMPANIES IN THE CONSOLIDATED GROUP OF KVC HEALTH SYSTEMS. THE FOLLOWING ARE THE PERCENTAGES OF EACH COMPANY'S DIVISIONAL BUDGETS TO THE CONSOLIDATED BUDGET, WHICH REPRESENTS THE RELATIVE PERCENTAGE OF TIME SPENT BY THE EXECUTIVE OFFICERS - KVC BEHAVIORAL HEALTHCARE, INC - KANSAS REINTEGRATION CONTRACT REGION 2 29% - KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA, INC 8% - KVC HEALTH SYSTEMS, INC 6% - KVC BEHAVIORAL HEALTHCARE KENTUCKY, INC 4% - KVC BEHAVIORAL HEALTHCARE NEBRASKA, INC 39% - KVC HOSPITALS, INC 13% - KVC REAL ESTATE HOLDINGS, INC 1% - KVC FOUNDATION, INC <1%

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
RECONCILIATION OF NET ASSETS	FORM 990, PART XIII, LINE 5	INTERCOMPANY TRANSFERS \$ 3,574,055

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME B WAYNE SIMS-SEE SCH O TITLE DIRECTOR/BOARD PRESIDENT HOURS 52

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME ANNE ROBERTS-SEE SCH O TITLE DIRECTOR/BOARD SECRETARY HOURS 52

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME PAUL KLAYDER-SEE SCH O TITLE DIRECTOR/BOARD TREASURER HOURS 52

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME SHERRY LOVE-SEE SCH O TITLE DIRECTOR HOURS 52

<b>Identifier</b>	<b>Return Reference</b>	<b>Explanation</b>
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JASON HOOPER TITLE PRESIDENT - KVC HOSPITALS HOURS 20

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JYOTSNA ADMA TITLE PSYCHIATRIST HOURS 20

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME NAHID SHAVAKHI TITLE VP - NURSING & CLINICAL SVCS HOURS 20

Identifier	Return Reference	Explanation
HOURS DEVOTED FOR RELATED ORGANIZATION	FORM 990 PART VII	NAME JAMES C VAN DOREN TITLE PSYCHIATRIST HOURS 20

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**SCHEDULE R**  
**(Form 990)**

## Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2010

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

**Name of the organization**

KVC Hospitals Inc

**Employer identification number**

27-1672159

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

**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 organization	
						Yes	No
(1) KVC HEALTH SYSTEMS INC 21350 W 153RD STREET OLATHE, KS 66061 26-2516589	MANAGEMENT	KS	501(C)(3)	11B	NA		
(2) KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA 200 BRADFORD ST CHARLESTON, WV 25301 31-1770280	FOSTER CARE	WV	501(C)(3)	9	KVC HSI		
(3) KVC FOUNDATION INC 21350 W 153RD STREET OLATHE, KS 66061 26-2516476	FUNDRAISING	KS	501(C)(3)	11B	KVC HSI		
(4) KVC REAL ESTATE HOLDINGS INC 21350 W 153RD STREET OLATHE, KS 66061 26-2516519	REAL ESTATE	KS	501(C)(3)	11B	KVC HSI		
(5) KVC BEHAVIORAL HEALTHCARE KENTUCKY INC 900 BEASLEY STREET LEXINGTON, KY 40509 27-0795565	IN HOME SVCS	KY	501(C)(3)	9	KVC HSI		
(6) KVC BEHAVIORAL HEALTHCARE NEBRASKA INC 10909 MILL VALLEY ROAD OMAHA, NE 68154 27-0408957	FAM PRES	NE	501(C)(3)	9	KVC HSI		
(7) KVC BEHAVIORAL HEALTHCARE INC 21350 W 153RD STREET OLATHE, KS 66061 48-0770308	FOSTER CARE	KS	501(C)(3)	9	KVC HSI		

**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.)

**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.)

**Part V Transactions With Related Organizations** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)**Note.** Complete line 1 if any entity is listed in Parts II, III or IV**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?

- a** Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity
- b** Gift, grant, or capital contribution to other organization(s)
- c** Gift, grant, or capital contribution from other organization(s)
- d** Loans or loan guarantees to or for other organization(s)
- e** Loans or loan guarantees by other organization(s)
- f** Sale of assets to other organization(s)
- g** Purchase of assets from other organization(s)
- h** Exchange of assets
- i** Lease of facilities, equipment, or other assets to other organization(s)
- j** Lease of facilities, equipment, or other assets from other organization(s)
- k** Performance of services or membership or fundraising solicitations for other organization(s)
- l** Performance of services or membership or fundraising solicitations by other organization(s)
- m** Sharing of facilities, equipment, mailing lists, or other assets
- n** Sharing of paid employees
- o** Reimbursement paid to other organization for expenses
- p** Reimbursement paid by other organization for expenses
- q** Other transfer of cash or property to other organization(s)
- r** Other transfer of cash or property from other organization(s)

	Yes	No
1a		No
1b	Yes	
1c	Yes	
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k		No
1l		No
1m		No
1n	Yes	
1o		No
1p		No
1q	Yes	
1r	Yes	

**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 other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

**Part VI Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

**Part VII Supplemental Information**

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

Identifier	Return Reference	Explanation
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**Software ID:**  
**Software Version:**  
**EIN:** 27-1672159  
**Name:** KVC Hospitals Inc

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c) (3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled organization	
						Yes	No
KVC HEALTH SYSTEMS INC  21350 W 153RD STREET OLATHE, KS66061 26-2516589	MANAGEMENT	KS	501(C)(3)	11B	NA		
KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA  200 BRADFORD ST CHARLESTON, WV 25301 31-1770280	FOSTER CARE	WV	501(C)(3)	9	KVC HSI		
KVC FOUNDATION INC  21350 W 153RD STREET OLATHE, KS66061 26-2516476	FUNDRAISING	KS	501(C)(3)	11B	KVC HSI		
KVC REAL ESTATE HOLDINGS INC  21350 W 153RD STREET OLATHE, KS66061 26-2516519	REAL ESTATE	KS	501(C)(3)	11B	KVC HSI		
KVC BEHAVIORAL HEALTHCARE KENTUCKY INC  900 BEASLEY STREET LEXINGTON, KY40509 27-0795565	IN HOME SVCS	KY	501(C)(3)	9	KVC HSI		
KVC BEHAVIORAL HEALTHCARE NEBRASKA INC  10909 MILL VALLEY ROAD OMAHA, NE68154 27-0408957	FAM PRES	NE	501(C)(3)	9	KVC HSI		
KVC BEHAVIORAL HEALTHCARE INC  21350 W 153RD STREET OLATHE, KS66061 48-0770308	FOSTER CARE	KS	501(C)(3)	9	KVC HSI		

## TY 2010 Affiliated Group Schedule

**Name:** KVC Hospitals Inc**EIN:** 27-1672159**Affiliated Group Business Name:** KVC BEHAVIORAL HEALTHCARE I**Address. Either US or Foreign** 21350 W 153RD STREET  
**Type:** OLATHE, KS 66061**EIN:** 48-0770308**Electing Organization Checkbox:** **Total Grassroots Lobbying:** 0**Total Direct Lobbying:** 0**Total Lobbying Expenditures:** 0**Other Exempt Purpose  
Expenditures:** 28,087,318**Total Exempt Purpose  
Expenditures:** 28,087,318**Lobbying Nontaxable Amount:** 1,000,000**Grassroots Nontaxable Amount:** 250,000**Tot Lobbying Grassroot Minus Non  
Tx:** 0**Tot Lobby Expend Mns Lobbying  
Non Tx:** 0**Share Of Excess Lobbying:** 0**Affiliated Group Business Name:** KVC HEALTH SYSTEMS INC**Address. Either US or Foreign** 21350 W 153RD STREET  
**Type:** OLATHE, KS 66061**EIN:** 26-2516589**Electing Organization Checkbox:** **Total Grassroots Lobbying:** 0**Total Direct Lobbying:** 53,918**Total Lobbying Expenditures:** 53,918**Other Exempt Purpose  
Expenditures:** 8,292,798**Total Exempt Purpose  
Expenditures:** 8,346,716**Lobbying Nontaxable Amount:** 567,336**Grassroots Nontaxable Amount:** 141,834**Tot Lobbying Grassroot Minus Non  
Tx:** 0**Tot Lobby Expend Mns Lobbying  
Non Tx:** 0**Share Of Excess Lobbying:** 0

**Affiliated Group Business Name:** KVC BEHAVIORAL HEALTHCARE WE

**Address. Either US or Foreign** 200 BRADFORD ST  
**Type:** CHARLESTON, WV 25301

**EIN:** 31-1770280

**Electing Organization Checkbox:**

**Total Grassroots Lobbying:** 0

**Total Direct Lobbying:** 0

**Total Lobbying Expenditures:** 0

**Other Exempt Purpose Expenditures:** 10,519,902

**Total Exempt Purpose Expenditures:** 10,519,902

**Lobbying Nontaxable Amount:** 675,995

**Grassroots Nontaxable Amount:** 168,999

**Tot Lobbying Grassroot Minus Non** 0

**Tx:**

**Tot Lobby Expend Mns Lobbying** 0

**Non Tx:**

**Share Of Excess Lobbying:** 0

---

**Affiliated Group Business Name:** KVC BEHAVIORAL HEALTHCARE KE

**Address. Either US or Foreign** 900 BEASLEY STREET  
**Type:** LEXINGTON, KY 40509

**EIN:** 27-0795565

**Electing Organization Checkbox:**

**Total Grassroots Lobbying:** 0

**Total Direct Lobbying:** 0

**Total Lobbying Expenditures:** 0

**Other Exempt Purpose Expenditures:** 4,779,543

**Total Exempt Purpose Expenditures:** 4,779,543

**Lobbying Nontaxable Amount:** 388,977

**Grassroots Nontaxable Amount:** 97,244

**Tot Lobbying Grassroot Minus Non** 0

**Tx:**

**Tot Lobby Expend Mns Lobbying** 0

**Non Tx:**

**Share Of Excess Lobbying:** 0

**Affiliated Group Business Name:**

KVC BEHAVIORAL HEALTHCARE NE

**Address. Either US or Foreign**

10909 MILL VALLEY ROAD

**Type:**

OMAHA, NE 68154

**EIN:**

27-0408957

**Electing Organization Checkbox:****Total Grassroots Lobbying:**

0

**Total Direct Lobbying:**

8,775

**Total Lobbying Expenditures:**

8,775

**Other Exempt Purpose  
Expenditures:**

70,909,548

**Total Exempt Purpose  
Expenditures:**

70,918,323

**Lobbying Nontaxable Amount:**

1,000,000

**Grassroots Nontaxable Amount:**

250,000

**Tot Lobbying Grassroot Minus Non**

0

**Tx:****Tot Lobby Expend Mns Lobbying**

0

**Non Tx:****Share Of Excess Lobbying:**

0

**Affiliated Group Business Name:**

KVC HOSPITALS INC

**Address. Either US or Foreign**

21350 W 153RD STREET

**Type:**

OLATHE, KS 66061

**EIN:**

27-1672159

**Electing Organization Checkbox:****Total Grassroots Lobbying:**

0

**Total Direct Lobbying:**

0

**Total Lobbying Expenditures:**

0

**Other Exempt Purpose  
Expenditures:**

17,813,666

**Total Exempt Purpose  
Expenditures:**

17,813,666

**Lobbying Nontaxable Amount:**

1,000,000

**Grassroots Nontaxable Amount:**

250,000

**Tot Lobbying Grassroot Minus Non**

0

**Tx:****Tot Lobby Expend Mns Lobbying**

0

**Non Tx:****Share Of Excess Lobbying:**

0

**Affiliated Group Business Name:**

KVC REAL ESTATE HOLDINGS IN

**Address. Either US or Foreign**

21350 W 153RD STREET

**Type:**

OLATHE, KS 66061

**EIN:**

26-2516519

**Electing Organization Checkbox:****Total Grassroots Lobbying:**

0

**Total Direct Lobbying:**

0

**Total Lobbying Expenditures:**

0

**Other Exempt Purpose**

567,155

**Expenditures:****Total Exempt Purpose**

567,155

**Expenditures:****Lobbying Nontaxable Amount:**

110,073

**Grassroots Nontaxable Amount:**

27,518

**Tot Lobbying Grassroot Minus Non**

0

**Tx:****Tot Lobby Expend Mns Lobbying**

0

**Non Tx:****Share Of Excess Lobbying:**

0

**Affiliated Group Business Name:**

KVC FOUNDATION INC

**Address. Either US or Foreign**

21350 W 153RD STREET

**Type:**

OLATHE, KS 66061

**EIN:**

26-2516476

**Electing Organization Checkbox:****Total Grassroots Lobbying:**

0

**Total Direct Lobbying:**

0

**Total Lobbying Expenditures:**

0

**Other Exempt Purpose**

23,898

**Expenditures:****Total Exempt Purpose**

23,898

**Expenditures:****Lobbying Nontaxable Amount:**

4,780

**Grassroots Nontaxable Amount:**

1,195

**Tot Lobbying Grassroot Minus Non**

0

**Tx:****Tot Lobby Expend Mns Lobbying**

0

**Non Tx:****Share Of Excess Lobbying:**

0

# **KVC Health Systems, Inc.**

Accountants' Report and Consolidated Financial Statements

June 30, 2011 and 2010



# **KVC Health Systems, Inc.**

## **June 30, 2011 and 2010**

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**Independent Accountants' Report on Financial  
Statements and Supplementary Information**

Board of Directors  
KVC Health Systems, Inc  
Olathe, Kansas

We have audited the accompanying consolidated statements of financial position of KVC Health Systems, Inc as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KVC Health Systems, Inc as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information, including the consolidating information, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities. Such information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

*BKD, LLP*

Kansas City, Missouri  
December 1, 2011

**KVC Health Systems, Inc.**  
**Consolidated Statements of Financial Position**  
**June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,512,778	\$ 2,265,038
Accounts receivable, net of allowance, 2011 - \$688,000, 2010 - \$348,000	7,859,696	7,674,982
Grants receivable	131,187	163,359
Prepaid expenses	<u>1,501,729</u>	<u>548,201</u>
Total current assets	<u>15,005,390</u>	<u>10,651,580</u>
<b>Property and Equipment, net</b>	<u>14,620,746</u>	<u>14,205,845</u>
<b>Other Assets</b>		
Goodwill	661,406	949,600
Deposits and other assets	<u>323,322</u>	<u>227,928</u>
	<u>984,728</u>	<u>1,177,528</u>
Total assets	<u>\$ 30,610,864</u>	<u>\$ 26,034,953</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,331,031	\$ 242,818
Accounts payable	4,570,893	3,010,618
Accrued salaries	3,727,873	2,285,221
Accrued compensated absences	1,227,823	955,493
Other accrued expenses	1,952,244	3,514,823
Deferred revenue	<u>8,112,653</u>	<u>51,139</u>
Total current liabilities	<u>20,922,517</u>	<u>10,060,112</u>
<b>Long-term Debt</b>		
Notes payable	-	956,000
Capital lease obligations	<u>206,862</u>	<u>400,034</u>
	<u>206,862</u>	<u>1,356,034</u>
Total liabilities	<u>21,129,379</u>	<u>11,416,146</u>
<b>Net Assets</b>		
Unrestricted	9,481,485	14,615,807
Temporarily restricted	<u>-</u>	<u>3,000</u>
Total net assets	<u>9,481,485</u>	<u>14,618,807</u>
Total liabilities and net assets	<u>\$ 30,610,864</u>	<u>\$ 26,034,953</u>

**KVC Health Systems, Inc.**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Unrestricted Revenues, Gains and Other Support</b>		
Contract family preservation, reintegration and adoption	\$ 86,047,436	\$ 41,737,085
Child placing services	10,923,871	11,356,795
Inpatient services	14,728,236	11,262,967
Outpatient services	8,516,408	9,225,986
Contributions and grants	3,417,587	1,274,485
Interest income	13,193	63,653
Gain on disposition of assets	1,177,773	-
Miscellaneous	<u>502,076</u>	<u>542,847</u>
 Total unrestricted revenues, gains and other support	 <u>125,326,580</u>	 <u>75,463,818</u>
<b>Operating Expenses</b>		
Client care	117,242,207	68,330,475
Administrative and general	13,011,851	11,633,268
Fund raising	<u>206,844</u>	<u>246,137</u>
 Total operating expenses	 <u>130,460,902</u>	 <u>80,209,880</u>
<b>Change in Unrestricted Net Assets</b>		
	(5,134,322)	(4,746,062)
<b>Change in Temporarily Restricted Net Assets</b>	<u>(3,000)</u>	<u>-</u>
<b>Change in Net Assets</b>		
	(5,137,322)	(4,746,062)
<b>Net Assets, Beginning of Year</b>	<u>14,618,807</u>	<u>19,364,869</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,481,485</u>	<u>\$ 14,618,807</u>

**KVC Health Systems, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Change in net assets	\$ (5,137,322)	\$ (4,746,062)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	1,662,208	1,302,600
(Gain) loss on disposition of assets	(1,177,773)	5,226
Goodwill impairment loss	288,194	-
Changes in		
Accounts receivable	(184,714)	(307,278)
Grants receivable	32,172	(117,973)
Prepaid expenses	(953,528)	(93,428)
Other assets	(95,394)	134,864
Accounts payable	1,560,275	39,242
Accrued salaries	1,442,652	1,552,189
Accrued compensated absences	272,330	126,054
Other accrued expenses	(1,562,579)	3,079,812
Deferred revenue	<u>8,061,514</u>	<u>(53,637)</u>
Net cash provided by operating activities	<u>4,208,035</u>	<u>921,609</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(4,155,848)	(5,113,543)
Proceeds from disposition of property and equipment	3,272,504	69,774
Payment for purchase of Kentucky corporation	<u>-</u>	<u>(850,000)</u>
Net cash used in investing activities	<u>(883,344)</u>	<u>(5,893,769)</u>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	1,113,835	1,000,000
Principal payments on long-term debt	<u>(1,190,786)</u>	<u>(166,605)</u>
Net cash provided by (used in) financing activities	<u>(76,951)</u>	<u>833,395</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>3,247,740</u>	<u>(4,138,765)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,265,038</u>	<u>6,403,803</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 5,512,778</b></u>	<u><b>\$ 2,265,038</b></u>
<b>Supplemental Cash Flows Information</b>		
Capital lease obligations incurred for property and equipment	\$ 15,992	\$ 191,750

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Principles of Consolidation***

KVC Health Systems, Inc is the sole corporate member of the following affiliates, collectively referred to as the Organization

**KVC Behavioral HealthCare, Inc**

KVC Behavioral HealthCare, Inc is a Kansas not-for-profit organization headquartered in Olathe, Kansas. It provides an integrated array of programs for emotionally and behaviorally impaired, abused, neglected, runaway and homeless youth, ages birth to twenty-one, and their families

**KVC Behavioral Healthcare West Virginia, Inc**

KVC Behavioral Healthcare West Virginia, Inc is a West Virginia not-for-profit organization headquartered in Charleston, West Virginia whose mission and principal activities are to provide an integrated array of programs for emotionally and behaviorally impaired, abused, neglected, runaway and homeless youth, ages birth to twenty-one, and their families

**KVC Behavioral Healthcare Kentucky, Inc**

KVC Behavioral Healthcare Kentucky, Inc is a Kentucky not-for-profit organization headquartered in Lexington, Kentucky whose mission and principal activities are to provide mental health, educational and case management services to children with mental health needs who are either placed in out-of-home care, hospitalized or who are facing imminent removal from their biological home in the state of Kentucky

**KVC Behavioral Healthcare Nebraska, Inc**

KVC Behavioral Healthcare Nebraska, Inc is a Nebraska not-for-profit organization headquartered in Omaha, Nebraska whose mission and principal activities are to provide service coordination, foster care, family preservation, and supportive mental health services to the children and families of Nebraska

**KVC Hospitals, Inc**

KVC Hospitals, Inc is a Kansas not-for-profit organization headquartered in Olathe, Kansas, whose mission and principal activities are to provide psychiatric care to children and adolescents out of facilities in Kansas City, Kansas and Hays, Kansas

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

**KVC Real Estate Holdings, Inc.**

KVC Real Estate Holdings, Inc. is a Kansas not-for-profit organization in Olathe, Kansas. The organization was established to own and manage all the buildings and land that help support KVC Health Systems, Inc. and its affiliates.

**KVC Foundation, Inc.**

KVC Foundation, Inc. is a Kansas not-for-profit organization in Olathe, Kansas. The Foundation was created to establish an endowment and provide fundraising activities to support the programs of KVC Health Systems, Inc. and its affiliates.

The accompanying consolidated financial statements include the accounts of KVC Health Systems, Inc., and its affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consisted primarily of money market accounts with banks.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2011 the Organization's cash accounts exceeded federally insured limits by approximately \$2,989,000, which are secured by assets pledged by the financial institutions on behalf of the Organization.

***Accounts Receivable***

Accounts receivable are stated at the net realizable value, which is the amount management expects to collect from outstanding balances. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and leasehold improvements	5-40 years
Furniture and equipment	5-10 years
Computer equipment and vehicles	5 years

***Long-lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

***Goodwill***

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

***In-Kind Contributions***

In addition to receiving cash contributions, the Organization receives in-kind contributions of goods and services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2011 and 2010, \$126,072 and \$61,920, respectively, was received in in-kind contributions.

***Deferred Revenue***

Revenue from contracts, grants and other miscellaneous fees is deferred and recognized over the periods in which the services are performed.

***Income Taxes***

The Organizations are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organizations are subject to federal income tax on any unrelated business taxable income. The Organizations file tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organizations are no longer subject to U.S. federal examinations by tax authorities for years before 2008.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on time expended, usage and other methods.

***Subsequent Events***

Subsequent events have been evaluated through December 1, 2011, which is the date the financial statements were available to be issued.

**Note 2: Revenue Concentrations – KVC Behavioral HealthCare, Inc.**

On July 1, 2005, the Organization was awarded a Foster Care Reintegration Services contract from a state agency to provide foster care services to Region II of the State of Kansas. The contract is for a term of four years, with an option to extend the contract for an additional two years.

Revenues for the contract amounted to \$29,220,926 and \$27,212,511, which represents 23% and 36% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2011 and 2010, respectively. Accounts receivable related to the foster care reintegration contract amounted to \$2,495,234 and \$2,297,920 at June 30, 2011 and 2010, respectively.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

**Note 3: Revenue Concentrations – KVC Behavioral Healthcare West Virginia, Inc.**

***Medicaid***

KVC Behavioral Healthcare West Virginia, Inc. provides a substantial amount of its services under Medicaid billed through a state agency. During the years ended June 30, 2011 and 2010, fees from Medicaid totaled \$4,548,999 and \$4,885,158, respectively, which represents 4% and 6% of the Organization's total unrestricted revenue, gains and other support, respectively. At June 30, 2011 and 2010, \$387,131 and \$610,428, respectively, due from Medicaid is included in accounts receivable.

***Foster Care***

KVC Behavioral Healthcare West Virginia, Inc. provides a substantial amount of its services for foster care billed to a state agency in West Virginia. During the years ended June 30, 2011 and 2010, fees from foster care totaled \$5,459,734 and \$5,048,800, which represents 4% and 7% of the Organization's total unrestricted revenues, gains and other support, respectively. At June 30, 2011 and 2010, \$594,111 and \$560,264, respectively, due from the state of West Virginia related to foster care is included in accounts receivable.

**Note 4: Revenue Concentrations – KVC Behavioral Healthcare Nebraska, Inc.**

KVC Behavioral Healthcare Nebraska, Inc. entered into two contracts with the Department of Health and Human Services of the state of Nebraska (DHHS) to provide foster care services in the regions known as the Eastern Service Area and the Southeast Service Area. Both contracts' terms are November 1, 2009 through June 30, 2014.

Revenues for the contracts amounted to \$56,826,510 and \$14,524,574, which represents 45% and 19% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2011 and 2010, respectively. Accounts receivable related to the foster care reintegration contracts amounted to \$54,559 and \$554,467 at June 30, 2011 and 2010, respectively.

**Note 5: Revenue Concentrations – KVC Hospitals, Inc.**

KVC Hospitals, Inc. provides a substantial amount of its services under Medicaid billed through a state agency. During the years ended June 30, 2011 and 2010, fees from Medicaid totaled \$11,484,587 and \$279,002, respectively, which represents 9% and 0.4% of the Organization's total unrestricted revenue, gains and other support, respectively. At June 30, 2011 and 2010, \$1,708,113 and \$289,334, respectively, due from Medicaid is included in accounts receivable.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

**Note 6: Property and Equipment**

Property and equipment at June 30 consists of

	<b>2011</b>	<b>2010</b>
Land and land improvements	\$ 1,703,701	\$ 1,416,447
Buildings and leasehold improvements	15,094,877	14,405,733
Furniture and equipment	4,743,668	4,429,302
Works of art	95,142	95,142
Computer equipment	2,993,141	2,237,941
Vehicles	178,609	184,812
	<hr/> 24,809,138	<hr/> 22,769,377
Less accumulated depreciation and amortization	10,188,392	8,563,532
	<hr/> \$ 14,620,746	<hr/> \$ 14,205,845

**Note 7: Line of Credit**

The Organization has a \$5,000,000 revolving bank line of credit expiring in 2012. At June 30, 2011 and 2010, there were no borrowings against this line. The line is collateralized by property and equipment. Interest was 4.25% on June 30, 2011 and is payable monthly.

**Note 8: Long-term Debt**

	<b>2011</b>	<b>2010</b>
Note payable, bank (A)	\$ 1,113,835	\$ -
Note payable, bank (B)	-	1,000,000
Capital lease obligations (C)	424,058	598,852
	<hr/> 1,537,893	<hr/> 1,598,852
Less current maturities	1,331,031	242,818
	<hr/> \$ 206,862	<hr/> \$ 1,356,034

- (A) Due October 22, 2011, payable in one payment of all outstanding principal plus all accrued interest at 5.5% on the maturity date, secured by property and equipment
- (B) Due June 29, 2013, payable in 35 monthly installments of \$8,214 and one final payment of \$868,957 with interest payable monthly at 5.5%, secured by property and equipment. The note was paid off during 2011
- (C) Capital leases include leases with varying imputed interest rates from 3.00% to 17.00%, due through 2014, collateralized by equipment

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

Aggregate annual maturities of long-term debt and payments on capital lease obligations at June 30, 2011, are

	<b>Long-term Debt (Excluding Leases)</b>	<b>Capital Lease Obligations</b>
2012	\$ 1,113,835	\$ 249,213
2013	-	200,507
2014	-	25,780
	<b><u>\$ 1,113,835</u></b>	<b><u>475,500</u></b>
Less amount representing interest		<b><u>51,442</u></b>
Present value of future minimum lease payments		<b><u>\$ 424,058</u></b>

Property and equipment include the following property under capital leases at June 30

	<b>2011</b>	<b>2010</b>
Equipment	\$ 800.870	\$ 784.878
Less accumulated depreciation	<u>387.194</u>	<u>190.974</u>
	<b>\$ 413.676</b>	<b>\$ 593.904</b>

## Note 9: Defined Contribution Plan

The Organization has a defined contribution plan (the Plan) covering all full-time employees who have at least one year of service and who are at least 21 years of age. Participants receive 20% vesting for each eligible year of service. Each year, the Board of Directors determines the amount of the contribution to the Plan. Total expenses for the years ended June 30, 2011 and 2010 were approximately \$115,000 and \$279,000, respectively.

## **Note 10: Related Party Transactions**

One of members of the Organization's Board of Directors was one of the owners of the Organization's insurance agency until retiring from the insurance agency in 2010. For the year ended June 30, 2010, expenses for insurance coverage amounted to \$1,033.668. All payments for insurance coverage were made directly to the insurance agency and not to the agent.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

**Note 11: Operating Leases**

Noncancellable operating leases for office space expire in various years through 2016. These leases generally contain renewal options for periods ranging from one to five years and require the Organization to pay all executory costs (property taxes, maintenance and insurance). Total rental expense for property leases for the years ended June 30, 2011 and 2010 was \$2,635,737 and \$1,855,015, respectively.

Noncancellable operating leases for equipment expire in various years through 2016. Total rental expense for equipment leases for the years ended June 30, 2011 and 2010 was \$226,482 and \$125,079, respectively.

Future minimum lease payments at June 30, 2011, were

	<b>Equipment</b>	<b>Property</b>	<b>Total</b>
2012	\$ 188,324	\$ 1,934,178	\$ 2,122,502
2013	78,489	1,609,734	1,688,223
2014	41,311	718,804	760,115
2015	22,366	224,410	246,776
2016	3,230	8,000	11,230
	<hr/> <b>\$ 333,720</b>	<hr/> <b>\$ 4,495,126</b>	<hr/> <b>\$ 4,828,846</b>

**Note 12: Business Acquisition**

In 2010, the Organization acquired substantially all of the assets of an organization located in Lexington, Kentucky that provided mental health and educational services to children with mental health needs who are either placed in out-of-home care, hospitalized or who are facing imminent removal from their biological home. The Organization paid \$850,000 in cash and assumed some minor obligations. Goodwill recognized in the transaction amounted to approximately \$860,000.

**Note 13: Current Economic Conditions**

The current protracted economic decline continues to present organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of assets, large declines in grants and contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization. Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, allowances for accounts receivable and the valuation of intangibles that could negatively impact the Organization's ability to maintain sufficient liquidity.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011 and 2010**

**Note 14: Subsequent Event**

Subsequent to year end, KVC Real Estate Holdings, Inc. sold a building located at 3503 Rainbow Boulevard, Kansas City, Kansas for a purchase price of \$3,000,000. For the year ended June 30, 2011, the building's value net of accumulated depreciation recorded by KVC Real Estate Holdings, Inc. was approximately \$2,725,000.

## **Supplementary Information**

**KVC Health Systems, Inc.**  
**Consolidating Schedule of Financial Position**  
**June 30, 2011**

	KVC Systems, Inc.	KVC Health	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West	KVC Behavioral Healthcare Virginia	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Real Estate Holdings, Inc.	KVC Eliminations	Consolidated
<b>Current Assets</b>												
Cash and cash equivalents	\$ 4119 694	\$ 304 506	\$ 140 526	\$ 340 791	\$ 111 453	\$ 395 821	\$ 9454	\$ 90 533	\$ 5 512 778			
Accounts receivable net of allowance of \$688 000	-	3 056 698	1 060 086	318 370	310 853	3 113 689	-	-	-	7 859 696		
Grants receivable	44 453	25 363	-	-	-	61 371	-	-	-	131 187		
Prepaid expenses	114 314	246 397	271 941	111 043	601 406	149 761	-	-	6 867	1 501 729		
Total current assets	4 278 461	3 632 964	1 472 553	770 204	1 023 712	3 720 642	9454	97 400		15 005 390		
<b>Property and Equipment, net</b>												
Property and Equipment, net	721 916	453 327	139 038	14 481	1 381 333	1 156 149	-	-	10 755 612	14 620 746		
<b>Other Assets</b>												
Goodwill	-	-	116 406	545 000	-	-	-	-	-	661 406		
Deposits and other assets	112 327	56 206	17 183	5 850	126 756	5 000	-	-	-	323 322		
Total assets	\$ 5 112 704	\$ 4 141 497	\$ 1 745 180	\$ 1 335 535	\$ 2 531 791	\$ 4 881 691	\$ 9454	\$ 10 853 012	\$ -	\$ 30 610 864		
										984 728		

**KVC Health Systems, Inc.**  
**Consolidating Schedule of Financial Position (Continued)**  
**June 30, 2011**

	KVC Systems, Inc	KVC Health	KVC Behavioral HealthCare, Inc	KVC Behavioral Healthcare West	KVC Virginia, Inc	KVC Kentucky, Inc	KVC Behavioral Healthcare Nebraska, Inc	KVC Hospitals, Inc	KVC Foundation, Inc	KVC Real Estate Holdings, Inc	KVC Eliminations	Consolidated
<b>Current Liabilities</b>												
Current maturities of long-term debt	\$ 16,640	\$ 83,880	\$ 27,002	\$ 45,999	\$ 36,205	\$ 53,169	\$ 2,841,037	\$ 3,092,262	\$ 1,113,835	\$ 1,331,031	\$ 3,170	
Accounts payable	130,878	978,112	262,435	324,683	1,476,675	581,926						4,570,893
Accrued salaries	353,570	667,245	323,774	82,245	429,285	176,909						3,727,873
Accrued compensated absences	152,440	253,350	133,494	20,966	1,095,066	166,435						1,227,823
Other accrued expenses	112,858	244,782	310,605	-	11,333	8,023,723	75,597					1,952,244
Deferred revenue	-	-	-	-	-	-	-	-	-			8,112,653
Total current liabilities	<u>766,386</u>	<u>2,227,369</u>	<u>1,057,310</u>	<u>485,226</u>	<u>13,904,091</u>	<u>1,363,598</u>	<u>-</u>	<u>-</u>	<u>1,118,537</u>	<u>-</u>	<u>-</u>	<u>20,922,517</u>
<b>Long-term Debt</b>												
Capital lease obligations	<u>13,116</u>	<u>65,434</u>	<u>53,129</u>	<u>-</u>	<u>29,744</u>	<u>45,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,862</u>
Total liabilities	<u>779,502</u>	<u>2,292,803</u>	<u>1,110,439</u>	<u>485,226</u>	<u>13,933,835</u>	<u>1,409,637</u>	<u>-</u>	<u>-</u>	<u>1,118,537</u>	<u>-</u>	<u>-</u>	<u>21,129,379</u>
<b>Net Assets (Deficit)</b>												
Unrestricted	<u>4,333,202</u>	<u>1,848,694</u>	<u>634,741</u>	<u>850,309</u>	<u>(11,402,041)</u>	<u>3,472,654</u>	<u>9,454</u>	<u>9,734,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,481,185</u>
Total net assets (deficit)	<u>4,333,202</u>	<u>1,848,694</u>	<u>634,741</u>	<u>850,309</u>	<u>(11,402,041)</u>	<u>3,472,654</u>	<u>9,454</u>	<u>9,734,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,481,185</u>
Total liabilities and net assets	<u>\$ 5,112,704</u>	<u>\$ 4,141,497</u>	<u>\$ 1,745,180</u>	<u>\$ 1,335,535</u>	<u>\$ 2,531,791</u>	<u>\$ 4,881,691</u>	<u>\$ 9,454</u>	<u>\$ 10,853,012</u>	<u>\$ -</u>	<u>\$ 36,610,864</u>	<u>-</u>	<u>-</u>

**KVC Health Systems, Inc.**  
**Consolidating Schedule of Activities**  
**Year Ended June 30, 2011**

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral HealthCare West	KVC Behavioral HealthCare Virginia, Inc.	KVC Behavioral HealthCare Kentucky, Inc.	KVC Behavioral HealthCare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc	KVC Real Estate Holdings, Inc	KVC Eliminations	Consolidated
<b>Unrestricted Revenues, Gains and Other Support</b>											
Contract family preservation, reintegration and adoption	\$ -	\$ 29,220,926	\$ 5,459,734	\$ -	\$ 868,26510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,047,436
Child placing services	-	4,215,138	-	-	1,248,999	-	-	-	-	\$ (818,765)	10,923,871
Inpatient services	-	67,054	5,407,262	3,042,092	-	1,547,001	-	-	-	-	14,728,236
Outpatient services	451,8012	285,171	80,889	493,441	21,479	396,614	38,201	1,650,000	-	\$ 516,408	3,417,587
Contributions and grants	3,757	2,929	-	618	3,408	1,387	19	1,075	-	13,193	11,777,773
Interest income	-	-	-	-	-	-	-	-	-	5,955	512,076
Gain on disposition of assets	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	266,070	112,536	101,731	9,452	6,212	-	-	-	-	(\$ 433,225)	-
Management fee	7,668,000	647,700	-	55,800	10,725	51,000	-	-	-	(\$ 1,393,200)	-
Intercompany rent	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted revenues gains and other support	8,389,629	34,551,454	11,049,616	3,601,403	58,117,333	15,995,992	38,220	4,228,003	(\$ 10,645,070)	125,326,580	
<b>Operating Expenses</b>											
Client care	24,468,409	9,214,369	4,032,034	64,997,076	16,173,364	-	-	-	(\$ 1,643,045)	117,242,207	
Administrative and general	3,624,909	1,305,533	747,509	5,916,983	1,640,302	-	-	-	(\$ 8,999,025)	13,011,851	
Fundraising	181,682	-	-	4,264	-	3,808	-	-	(\$ 3,000)	206,844	
Total operating expenses	28,390,677	28,093,318	10,519,902	4,779,43	70,918,323	17,813,666	23,828	567,155	(\$ 10,635,070)	130,160,902	
Operating Income (Loss)	(5,581)	6,458,136	529,714	(1,178,140)	(12,810,990)	(1,817,674)	14,322	3,661,848	-	(\$ 1,34,322)	
Other Income (Expense)	-	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	41,29,604	(17,987,704)	(5,43,695)	7,14,071	3,640,949	3,574,055	(7,221)	(3,510,059)	-	-	-
Change in Unrestricted Net Assets	4,129,066	(1,529,568)	(13,981)	(474,069)	(9,160,041)	1,756,381	7,101	150,789	-	(\$ 134,322)	
Change in Temporarily Restricted Net Assets	-	(3,000)	-	-	-	-	-	-	-	(3,000)	
Change in Net Assets	4,129,066	(1,532,568)	(13,981)	(474,069)	(9,160,041)	1,756,381	7,101	150,789	-	(\$ 137,322)	
Net Assets (Deficit), Beginning of Year	204,136	3,381,262	648,722	1,324,375	(2,242,003)	1,716,273	2,353	9,583,686	-	14,618,807	
Net Assets (Deficit), End of Year	\$ 4,333,202	\$ 1,848,694	\$ 634,741	\$ 850,309	\$ (11,402,144)	\$ 3,472,654	\$ 9,454	\$ 9,734,175	\$ -	\$ 9,481,485	

**KVC Health Systems, Inc.**  
**Consolidating Schedule of Financial Position**  
**June 30, 2010**

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Virginia, Inc.	KVC Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Real Estate Holdings, Inc.	KVC Eliminations	Consolidated
<b>Current Assets</b>										
Cash and cash equivalents	\$ 406,880	\$ 523,875	\$ 192,126	\$ 523,007	\$ 124,705	\$ 355,699	\$ 2,353	\$ 136,393		\$ 2,265,038
Accounts receivable, net of allowance of \$348,000	-	4,897,172	1,325,119	241,388	554,467	646,836	-	-		7,674,982
Grants receivable	-	46,544	-	-	-	116,815	-	-		163,359
Prepaid expenses	64,424	201,338	141,467	20,922	95,665	16,865	-	-		548,201
<b>Total current assets</b>	<b>471,304</b>	<b>5,668,929</b>	<b>1,658,712</b>	<b>785,317</b>	<b>774,837</b>	<b>1,136,215</b>	<b>2,353</b>	<b>153,913</b>		<b>10,651,580</b>
<b>Property and Equipment, net</b>	<b>483,719</b>	<b>868,430</b>	<b>135,226</b>	<b>3,400</b>	<b>1,320,368</b>	<b>964,879</b>	<b>-</b>	<b>10,129,833</b>		<b>14,205,845</b>
<b>Other Assets</b>										
Goodwill	-	-	116,406	833,194	-	-	-	-		949,600
Deposits and other assets	-	81,863	13,408	4,000	123,657	5,000	-	-		227,928
	-	81,863	129,814	837,194	123,657	5,000	-	-		1,177,528
<b>Total assets</b>	<b>\$ 955,013</b>	<b>\$ 6,619,222</b>	<b>\$ 1,923,752</b>	<b>\$ 1,625,911</b>	<b>\$ 2,218,862</b>	<b>\$ 2,106,094</b>	<b>\$ 2,353</b>	<b>\$ 10,583,746</b>	<b>\$ -</b>	<b>\$ 26,034,953</b>

**KVC Health Systems, Inc.**  
**Consolidating Schedule of Financial Position (Continued)**  
**June 30, 2010**

	KVC Systems, Inc.	KVC Health	KVC Behavioral HealthCare, Inc.	KVC Virginia, Inc.	KVC Behavioral Healthcare West	KVC Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Real Estate Holdings, Inc.	KVC Eliminations	Consolidated
<b>Current Liabilities</b>												
Current maturities of long-term debt	\$ 15,892	\$ 83,192	\$ 23,033	\$ 218,304	\$ 29,509	\$ 47,192	\$ 59,881	\$ 139,215	\$ 14,000	\$ 60		\$ 242,818
Accounts payable	70,082	1,185,309	743,137	-	733,845	-	-	-	-	-		\$ 3,010,618
Accrued salaries	287,442	807,960	254,922	-	795,682	-	-	-	-	-		2,285,221
Accrued compensated absences	147,023	432,980	144,303	34,424	18,503	14,360	-	-	-	-		955,493
Other accrued expenses	206,554	549,793	44,500	48,805	2,663,341	7,830	-	-	-	-		3,514,823
Deferred revenue	-	21,998	-	-	-	29,141	-	-	-	-		51,139
Total current liabilities	720,993	3,081,232	1,209,895	301,533	4,404,880	297,519	-	-	-	-		10,060,112
<b>Long-term Debt</b>												
Notes payable	29,884	-	156,728	65,135	-	55,985	92,302	-	-	-		956,000
Capital lease obligations	-	-	-	-	-	-	-	-	-	-		40,034
Total liabilities	750,877	3,237,960	1,275,030	301,533	4,460,865	389,821	-	-	-	-		1,356,034
<b>Net Assets (Deficit)</b>												
Unrestricted	204,136	3,378,262	648,722	1,324,378	(2,242,003)	1,716,273	2,353	9,583,686	14,615,807			
Temporarily restricted	-	3,000	-	-	-	-	-	-	3	000		
Total net assets (deficit)	204,136	3,381,262	648,722	1,324,378	(2,242,003)	1,716,273	2,353	9,583,686	14,618,807			
Total liabilities and net assets	\$ 955,013	\$ 6,619,222	\$ 1,923,752	\$ 1,625,911	\$ 2,218,862	\$ 2,106,094	\$ 2,353	\$ 10,583,746	\$ -	\$ 26,034,953		

**KVC Health Systems, Inc.**  
**Consolidating Schedule of Activities**  
**Year Ended June 30, 2010**

	KVC Health Systems, Inc.	KVC Health Behavioral HealthCare, Inc.	KVC Health Behavioral HealthCare West	KVC Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Real Estate Holdings, Inc.	KVC Eliminations	Consolidated
<b>Unrestricted Revenues, Gains and Other Support</b>											
Contract family preservation	\$ -	\$ 27,212,511	\$ -	\$ -	\$ 14,521,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,737,085
Reintegration and adoption		5,455,761	5,048,800		852,234						11,556,795
Child placing services		10,593,148				669,819					11,262,967
Inpatient services		1,400,229	5,976,144	1,849,613							9,225,986
Outpatient services					5,754	1,53,200					1,274,485
Contributions and grants	125,327	922,018	(66,001)	920	6,626	381	45	7,349			(3,653)
Interest income	33,354	14,978		55,679	88,216	517		20,678			54,847
Miscellaneous	194,729	183,028									-
Management fee	7,160,000	186,000									-
Intercompany rent											-
Total unrestricted revenues gains and other support	<u>7,513,410</u>	<u>45,967,673</u>	<u>11,146,624</u>	<u>1,938,749</u>	<u>15,389,705</u>	<u>823,400</u>	<u>2,230</u>	<u>1,186,027</u>	<u>(8,504,000)</u>	<u>75,463,818</u>	
<b>Operating Expenses</b>											
Client care		37,722,911	9,300,598	1,788,808	19,280,890	839,668			(602,400)		(68,330,475)
Administrative and general	7,323,710	6,872,422	1,718,444	521,698	2,553,286	60,360	21,315	463,633	(7,901,600)		11,633,288
Fundraising	239,922						6,215				246,137
Total operating expenses	<u>7,563,632</u>	<u>44,595,333</u>	<u>11,019,042</u>	<u>2,310,506</u>	<u>21,834,176</u>	<u>900,028</u>	<u>27,530</u>	<u>463,633</u>	<u>(8,504,000)</u>	<u>80,209,880</u>	
<b>Operating Income (Loss)</b>	<b>(50,222)</b>	<b>1,372,340</b>	<b>127,582</b>	<b>(371,757)</b>	<b>(6,444,471)</b>	<b>(76,628)</b>	<b>(25,300)</b>	<b>722,394</b>			<b>(4,746,062)</b>
<b>Other Income (Expense)</b>	<b>(4,624,961)</b>	<b>(2,886,272)</b>	<b>(105,198)</b>	<b>1,696,135</b>	<b>4,202,468</b>	<b>1,792,901</b>	<b>19,009</b>	<b>(94,082)</b>			<b>-</b>
Intercompany transfers											
Change in Unrestricted Net Assets	(4,675,183)	(1,513,932)	22,384	1,324,378	(2,242,003)	1,716,273	(6,291)	628,312			(4,746,062)
Net Assets, Beginning of Year	4,879,319	4,895,194	626,338				8,644	8,955,374			19,364,869
Net Assets (Deficit), End of Year	<u>\$ 204,136</u>	<u>\$ 3,381,262</u>	<u>\$ 648,722</u>	<u>\$ 1,321,378</u>	<u>\$ (2,242,003)</u>	<u>\$ 1,716,273</u>	<u>\$ 2,353</u>	<u>\$ 9,583,686</u>	<u>\$ -</u>	<u>\$ 14,618,807</u>	

**KVC Health Systems, Inc.**  
**Consolidated Functional Expenses**  
**Year Ended June 30, 2011**  
**(with Comparative Totals for 2010)**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>	<b>2010 Total Expenses</b>
Salaries and wages	\$ 40,220.758	\$ 6,189.851	\$ 97,364	\$ 46,507,973	\$ 30,032,959
Payroll taxes	3,500.522	493,625	8,588	4,002,735	2,455,562
Employee benefits	4,444,869	674,887	17,609	5,137,365	3,179,646
Total salaries, wages and related expenses	<b>48,166,149</b>	<b>7,358,363</b>	<b>123,561</b>	<b>55,648,073</b>	<b>35,668,167</b>
Office supplies and printing	330,579	122,310	10,279	463,168	396,128
Copier and fax expense	151,044	80,412	-	231,456	214,996
Postage	66,683	46,841	15	113,539	113,465
Employee recruitment and advertising	155,782	106,436	-	262,218	291,490
Licenses and dues	141,388	105,446	275	247,109	202,713
Insurance	-	606,405	-	606,405	1,033,667
Travel	3,804,537	206,376	-	4,010,913	2,251,094
Telephone	1,244,804	291,744	-	1,536,548	963,934
Professional fees	174,150	563,226	-	737,376	613,461
Contract labor	339,988	157,398	16,767	514,153	280,169
Contract psychiatrist	1,543,452	-	-	1,543,452	1,400,177
Consulting and other contractual expenses	10,105,467	449,481	-	10,554,948	5,168,068
Staff development	140,967	279,978	-	420,945	286,142
Promotion	35,600	55,800	367	91,767	103,777
Office rent	3,308,104	720,833	-	4,028,937	3,000,316
Equipment expenses	115,737	139,409	401	255,547	360,163
Maintenance and repairs	321,560	74,754	-	396,314	377,521
Safety services and materials	80,395	21,980	-	102,375	77,198
Food	534,555	14,941	-	549,496	335,344
Food – outings	82,770	39,395	31,184	153,349	121,284
Housekeeping supplies	76,912	6,168	-	83,080	55,252
Miscellaneous housekeeping	416,778	112,181	-	528,959	423,084
Utilities	327,143	119,398	-	446,541	329,371
Payments to foster parents	16,553,288	196	-	16,553,484	11,802,572
Subcontractor – foster home payments	12,520,065	-	-	12,520,065	6,554,289
Foster family training	221,946	129,109	-	351,055	196,026
Subcontractor payments	12,035,711	-	-	12,035,711	4,288,585
Child care payments	980,081	-	-	980,081	777,845
Incidentals	1,366	-	-	1,366	587
Medical supplies	603,005	-	-	603,005	305,903
Vehicle expenses and repairs	207,272	11,798	-	219,070	78,178
Vehicle rental	909,723	11,538	-	921,261	399,946
General program supplies	129,361	11,528	-	140,889	127,187
Clothing	532,136	-	-	532,136	370,345
Miscellaneous	73,371	34,080	23,995	131,446	162,913
Interest	-	148,205	-	148,205	32,704
Bad debts	-	485,236	-	485,236	440,517
Property tax expense	2,289	39,021	-	41,310	29,714
Cost of in-kind donated goods	23,285	102,787	-	126,072	61,920
Medicaid assessments	101,924	-	-	101,924	116,686
Flex fund	447,198	-	-	447,198	208,679
Kids activity fund	37,518	-	-	37,518	43,703
Loss on impairment of assets	-	288,194	-	288,194	-
Expenses before depreciation, amortization and intercompany fees	117,044,083	12,940,967	206,844	130,191,894	80,065,280
Depreciation and amortization	1,022,524	639,684	-	1,662,208	1,302,600
Intercompany management and residential fees	818,645	8,430,225	3,000	9,251,870	7,346,000
Eliminations	(1,643,045)	(8,999,025)	(3,000)	(10,645,070)	(8,504,000)
Totals, Year Ended June 30, 2011	<b>\$ 117,242,207</b>	<b>\$ 13,011,851</b>	<b>\$ 206,844</b>	<b>\$ 130,460,902</b>	<b>\$ 80,209,880</b>
Totals, Year Ended June 30, 2010	<b>\$ 68,330,475</b>	<b>\$ 11,633,268</b>	<b>\$ 246,137</b>	<b>\$ 80,209,880</b>	

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Health Systems, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ -	\$ 4,166,567	\$ 97,364	\$ 4,263,931
Pavill taxes	-	317,262	8,588	325,850
Employee benefits	-	404,622	17,609	422,231
Total salaries, wages and related expenses	-	4,888,451	123,561	5,012,012
Office supplies and printing	-	78,606	8,150	86,756
Copier and fax expense	-	58,822	-	58,822
Postage	-	27,556	-	27,556
Employee recruitment and advertising	-	101,644	-	101,644
Licenses and dues	-	84,899	-	84,899
Insurance	-	39,297	-	39,297
Travel	-	88,435	-	88,435
Telephone	-	199,939	-	199,939
Professional fees	-	533,815	-	533,815
Contract labor	-	157,398	16,767	174,165
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	-	289,767	-	289,767
Staff development	-	253,718	-	253,718
Promotion	-	29,437	125	29,562
Office rent	-	507,202	-	507,202
Equipment expenses	-	107,240	401	107,641
Maintenance and repairs	-	65,811	-	65,811
Safety services and materials	-	13,753	-	13,753
Food	-	118	-	118
Food – outings	-	28,329	31,184	59,513
Housekeeping supplies	-	6,110	-	6,110
Miscellaneous housekeeping	-	108,583	-	108,583
Utilities	-	112,982	-	112,982
Payments to foster parents	-	196	-	196
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	129,069	-	129,069
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	4,094	-	4,094
Vehicle rental	-	7,683	-	7,683
General program supplies	-	3,393	-	3,393
Clothing	-	-	-	-
Miscellaneous	-	14,347	1,494	15,841
Interest	-	56,347	-	56,347
Bad debts	-	-	-	-
Property tax expense	-	84	-	84
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	-	7,997,125	181,682	8,178,807
Depreciation and amortization	-	211,360	-	211,360
Intercompany management and residential fees	-	-	-	-
Eliminations	-	-	-	-
<b>Totals, Year Ended June 30, 2011</b>	<b>\$ -</b>	<b>\$ 8,208,485</b>	<b>\$ 181,682</b>	<b>\$ 8,390,167</b>

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral HealthCare, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 7,367,461	\$ 734,457	\$ -	\$ 8,101,918
Payroll taxes	653,388	68,541	-	721,929
Employee benefits	953,281	103,084	-	1,056,365
Total salaries, wages and related expenses	8,974,130	906,082	-	9,880,212
Office supplies and printing	79,933	3,430	-	83,363
Copier and fax expense	36,085	1,789	-	37,874
Postage	28,420	3,456	-	31,876
Employee recruitment and advertising	24,567	-	-	24,567
Licenses and dues	24,270	11	-	24,281
Insurance	-	195,717	-	195,717
Travel	743,104	1,985	-	745,089
Telephone	300,695	7,604	-	308,299
Professional fees	10,894	-	-	10,894
Contract labor	2,152	-	-	2,152
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	592,518	3,881	-	596,399
Staff development	44,016	466	-	44,482
Promotion	12,883	-	-	12,883
Office rent	715,213	39,000	-	754,213
Equipment expenses	47,285	4,342	-	51,627
Maintenance and repairs	64,100	-	-	64,100
Safety services and materials	20,780	-	-	20,780
Food	16,349	40	-	16,389
Food – outings	19,923	810	-	20,733
Housekeeping supplies	9,651	-	-	9,651
Miscellaneous housekeeping	50,335	-	-	50,335
Utilities	116,588	-	-	116,588
Payments to foster parents	7,386,387	-	-	7,386,387
Subcontractor – foster home payments	2,138,828	-	-	2,138,828
Foster family training	93,324	-	-	93,324
Subcontractor payments	794,295	-	-	794,295
Child care payments	979,577	-	-	979,577
Incidentals	371	-	-	371
Medical supplies	17,880	-	-	17,880
Vehicle expenses and repairs	85,263	-	-	85,263
Vehicle rental	162,628	79	-	162,707
General program supplies	22,760	-	-	22,760
Clothing	322,572	-	-	322,572
Miscellaneous	13,331	997	-	14,328
Interest	-	10,873	-	10,873
Bad debts	-	-	-	-
Property tax expense	327	-	-	327
Cost of in-kind donated goods	12,285	95,463	-	107,748
Medicaid assessments	-	-	-	-
Flex fund	131,519	-	-	131,519
Kids activity fund	35,526	-	-	35,526
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	24,130,764	1,276,025	-	25,406,789
Depreciation and amortization	166,400	17,159	-	183,559
Intercompany management and residential fees	171,245	2,331,725	-	2,502,970
Eliminations	-	-	-	-
<b>Totals, Year Ended June 30, 2011</b>	<b>\$ 24,468,409</b>	<b>\$ 3,624,909</b>	<b>\$ -</b>	<b>\$ 28,093,318</b>

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral Healthcare West Virginia, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 3,922,000	\$ 325,528	\$ -	\$ 4,247,528
Pavill taxes	247,756	20,779	-	268,535
Employee benefits	490,984	65,894	-	556,878
Total salaries, wages and related expenses	<u>4,660,740</u>	<u>412,201</u>	<u>-</u>	<u>5,072,941</u>
Office supplies and printing	49,290	25,275	-	74,565
Copier and fax expense	28,593	9,062	-	37,655
Postage	3,979	5,064	-	9,043
Employee recruitment and advertising	15,523	1,373	-	16,896
Licenses and dues	33,279	6,961	-	40,240
Insurance	-	52,338	-	52,338
Travel	538,387	59,316	-	597,703
Telephone	78,707	33,280	-	111,987
Professional fees	-	2,699	-	2,699
Contract labor	-	-	-	-
Contract psychiatrist	150,170	-	-	150,170
Consulting and other contractual expenses	18,974	79,600	-	98,574
Staff development	6,270	9,574	-	15,844
Promotion	2,356	8,907	-	11,263
Office rent	326,478	102,957	-	429,435
Equipment expenses	23,873	16,341	-	40,214
Maintenance and repairs	16,013	2,401	-	18,414
Safety services and materials	8,959	6,693	-	15,652
Food	4,299	14,600	-	18,899
Food – outings	-	-	-	-
Housekeeping supplies	3,118	58	-	3,176
Miscellaneous housekeeping	39,346	-	-	39,346
Utilities	34,980	(596)	-	34,384
Payments to foster parents	2,931,206	-	-	2,931,206
Subcontractor – foster home payments	-	-	-	-
Foster family training	39,434	40	-	39,474
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	1,752	6,198	-	7,950
Vehicle rental	658	2,977	-	3,635
General program supplies	5,159	6,897	-	12,056
Clothing	90,000	-	-	90,000
Miscellaneous	14,841	14,338	-	29,179
Interest	-	15,795	-	15,795
Bad debts	-	184,314	-	184,314
Property tax expense	704	20,450	-	21,154
Cost of in-kind donated goods	-	7,324	-	7,324
Medicaid assessments	87,281	-	-	87,281
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>9,214,369</u>	<u>1,106,437</u>	<u>-</u>	<u>10,320,806</u>
Depreciation and amortization	-	50,296	-	50,296
Intercompany management and residential fees	-	148,800	-	148,800
Eliminations	-	-	-	-
 Totals, Year Ended June 30, 2011	 <u>\$ 9,214,369</u>	 <u>\$ 1,305,533</u>	 <u>\$ -</u>	 <u>\$ 10,519,902</u>

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral Healthcare Kentucky, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 3,022,965	\$ 201,739	\$ -	\$ 3,224,704
Payroll taxes	246,557	18,725	-	265,282
Employee benefits	<u>208,562</u>	<u>20,159</u>	<u>-</u>	<u>228,721</u>
Total salaries, wages and related expenses	<u>3,478,084</u>	<u>240,623</u>	<u>-</u>	<u>3,718,707</u>
Office supplies and printing	11,852	1,733	-	13,585
Copier and fax expense	931	8,767	-	9,698
Postage	1,821	2,584	-	4,405
Employee recruitment and advertising	1,120	3,419	-	4,539
Licenses and dues	24,933	6,553	-	31,486
Insurance	-	18,497	-	18,497
Travel	99,424	4,939	-	104,363
Telephone	61,704	20,802	-	82,506
Professional fees	-	22,738	-	22,738
Contract labor	-	-	-	-
Contract psychiatrist	142,033	-	-	142,033
Consulting and other contractual expenses	9,054	3,488	-	12,542
Staff development	7,580	8,246	-	15,826
Promotion	2,925	3,000	-	5,925
Office rent	72,811	30,442	-	103,253
Equipment expenses	10,925	604	-	11,529
Maintenance and repairs	2,872	5,241	-	8,113
Safety services and materials	458	1,534	-	1,992
Food	-	-	-	-
Food – outings	16,616	7,639	-	24,255
Housekeeping supplies	3,156	-	-	3,156
Miscellaneous housekeeping	13	3,365	-	3,378
Utilities	1,760	7,012	-	8,772
Payments to foster parents	24,163	-	-	24,163
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	7,742	644	-	8,386
Vehicle rental	7,935	395	-	8,330
General program supplies	12,384	-	-	12,384
Clothing	-	-	-	-
Miscellaneous	1,538	2,471	-	4,009
Interest	-	-	-	-
Bad debts	-	9,682	-	9,682
Property tax expense	-	-	-	-
Cost of in-kind donated goods	11,000	-	-	11,000
Medicaid assessments	-	-	-	-
Flex fund	17,200	-	-	17,200
Kids activity fund	-	-	-	-
Loss on impairment of assets	<u>-</u>	<u>288,194</u>	<u>-</u>	<u>288,194</u>
Expenses before depreciation, amortization and intercompany fees	<u>4,032,034</u>	<u>702,612</u>	<u>-</u>	<u>4,734,646</u>
Depreciation and amortization	-	2,897	-	2,897
Intercompany management and residential fees	-	42,000	-	42,000
Eliminations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals, Year Ended June 30, 2011	<u>\$ 4,032,034</u>	<u>\$ 747,509</u>	<u>\$ -</u>	<u>\$ 4,779,543</u>

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral Healthcare Nebraska, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 17,379,537	\$ 761,560	\$ -	\$ 18,141,097
Pavroll taxes	1,603,762	68,318	-	1,672,080
Employee benefits	<u>1,933,423</u>	<u>81,128</u>	-	2,014,551
Total salaries, wages and related expenses	20,916,722	911,006	-	21,827,728
Office supplies and printing	116,670	13,266	-	129,936
Copier and fax expense	47,538	1,972	-	49,510
Postage	19,536	8,181	-	27,717
Employee recruitment and advertising	110,020	-	-	110,020
Licenses and dues	17,650	6,048	-	23,698
Insurance	-	196,458	-	196,458
Travel	2,289,411	51,701	-	2,341,112
Telephone	674,435	30,119	-	704,554
Professional fees	89,841	-	-	89,841
Contract labor	6,506	-	-	6,506
Contract psychiatrist	15,929	-	-	15,929
Consulting and other contractual expenses	8,721,677	3,000	-	8,724,677
Staff development	43,199	7,974	-	51,173
Promotion	15,186	14,456	-	29,642
Office rent	1,418,402	41,232	-	1,459,634
Equipment expenses	13,303	10,882	-	24,185
Maintenance and repairs	11,520	741	-	12,061
Safety services and materials	12,080	-	-	12,080
Food	6,526	183	-	6,709
Food – outings	26,898	2,617	-	29,515
Housekeeping supplies	1,838	-	-	1,838
Miscellaneous housekeeping	21,856	233	-	22,089
Utilities	23,891	-	-	23,891
Payments to foster parents	6,211,532	-	-	6,211,532
Subcontractor – foster home payments	10,381,237	-	-	10,381,237
Foster family training	89,188	-	-	89,188
Subcontractor payments	11,241,416	-	-	11,241,416
Child care payments	504	-	-	504
Incidentals	-	-	-	-
Medical supplies	134,394	-	-	134,394
Vehicle expenses and repairs	86,817	862	-	87,679
Vehicle rental	732,945	404	-	733,349
General program supplies	20,827	1,238	-	22,065
Clothing	91,070	-	-	91,070
Miscellaneous	30,413	803	4,264	35,480
Interest	-	5,979	-	5,979
Bad debts	-	30,428	-	30,428
Property tax expense	-	-	-	-
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	297,977	-	-	297,977
Kids activity fund	307	-	-	307
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>63,939,061</u>	<u>1,339,783</u>	<u>4,264</u>	<u>65,283,108</u>
Depreciation and amortization	410,615	-	-	410,615
Intercompany management and residential fees	647,400	4,577,200	-	5,224,600
Eliminations	-	-	-	-
<b>Totals, Year Ended June 30, 2011</b>	<b>\$ 64,997,076</b>	<b>\$ 5,916,983</b>	<b>\$ 4,264</b>	<b>\$ 70,918,323</b>

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Hospitals, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 8,528,795	\$ -	\$ -	\$ 8,528,795
Pavill taxes	749,059	- -	- -	749,059
Employee benefits	858,619	- -	- -	858,619
Total salaries, wages and related expenses	<u>10,136,473</u>	<u>- -</u>	<u>- -</u>	<u>10,136,473</u>
Office supplies and printing	72,834	- -	- -	72,834
Copier and fax expense	37,897	- -	- -	37,897
Postage	12,927	- -	- -	12,927
Employee recruitment and advertising	4,552	- -	- -	4,552
Licenses and dues	41,256	- -	- -	41,256
Insurance	- -	83,794	- -	83,794
Travel	134,211	- -	- -	134,211
Telephone	129,263	- -	- -	129,263
Professional fees	73,415	- -	- -	73,415
Contract labor	331,330	- -	- -	331,330
Contract psychiatrist	1,235,320	- -	- -	1,235,320
Consulting and other contractual expenses	763,244	- -	- -	763,244
Staff development	39,902	- -	- -	39,902
Promotion	2,250	- -	- -	2,250
Office rent	775,200	- -	- -	775,200
Equipment expenses	20,351	- -	- -	20,351
Maintenance and repairs	227,255	- -	- -	227,255
Safety services and materials	38,118	- -	- -	38,118
Food	507,381	- -	- -	507,381
Food – outings	19,333	- -	- -	19,333
Housekeeping supplies	59,149	- -	- -	59,149
Miscellaneous housekeeping	305,228	- -	- -	305,228
Utilities	149,924	- -	- -	149,924
Payments to foster parents	- -	- -	- -	- -
Subcontractor – foster home payments	- -	- -	- -	- -
Foster family training	- -	- -	- -	- -
Subcontractor payments	- -	- -	- -	- -
Child care payments	- -	- -	- -	- -
Incidentals	995	- -	- -	995
Medical supplies	450,731	- -	- -	450,731
Vehicle expenses and repairs	25,698	- -	- -	25,698
Vehicle rental	5,557	- -	- -	5,557
General program supplies	68,231	- -	- -	68,231
Clothing	28,494	- -	- -	28,494
Miscellaneous	13,248	1,047	- -	14,295
Interest	- -	9,149	- -	9,149
Bad debts	- -	260,812	- -	260,812
Property tax expense	1,258	- -	- -	1,258
Cost of in-kind donated goods	- -	- -	- -	- -
Medicaid assessments	14,643	- -	- -	14,643
Flex fund	502	- -	- -	502
Kids activity fund	1,685	- -	- -	1,685
Loss on impairment of assets	- -	- -	- -	- -
Expenses before depreciation, amortization and intercompany fees	<u>15,727,855</u>	<u>354,802</u>	- -	<u>16,082,657</u>
Depreciation and amortization	445,509	- -	- -	445,509
Intercompany management and residential fees	- -	<u>1,285,500</u>	- -	<u>1,285,500</u>
Eliminations	- -	- -	- -	- -
<b>Totals, Year Ended June 30, 2011</b>	<b><u>\$ 16,173,364</u></b>	<b><u>\$ 1,640,302</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,813,666</u></b>

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Foundation, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ -	\$ -	\$ -	\$ -
Payroll taxes	- -	- -	- -	- -
Employee benefits	- -	- -	- -	- -
Total salaries, wages and related expenses	- -	- -	- -	- -
Office supplies and printing	- -	- -	2.129	2.129
Copyer and fax expense	- -	- -	- -	- -
Postage	- -	- -	15	15
Employee recruitment and advertising	- -	- -	- -	- -
Licenses and dues	- -	- -	275	275
Insurance	- -	- -	- -	- -
Travel	- -	- -	- -	- -
Telephone	- -	- -	- -	- -
Professional fees	- -	- -	- -	- -
Contract labor	- -	- -	- -	- -
Contract psychiatrist	- -	- -	- -	- -
Consulting and other contractual expenses	- -	- -	- -	- -
Staff development	- -	- -	- -	- -
Promotion	- -	- -	242	242
Office rent	- -	- -	- -	- -
Equipment expenses	- -	- -	- -	- -
Maintenance and repairs	- -	- -	- -	- -
Safety services and materials	- -	- -	- -	- -
Food	- -	- -	- -	- -
Food – outings	- -	- -	- -	- -
Housekeeping supplies	- -	- -	- -	- -
Miscellaneous housekeeping	- -	- -	- -	- -
Utilities	- -	- -	- -	- -
Payments to foster parents	- -	- -	- -	- -
Subcontractor – foster home payments	- -	- -	- -	- -
Foster family training	- -	- -	- -	- -
Subcontractor payments	- -	- -	- -	- -
Child care payments	- -	- -	- -	- -
Incidentals	- -	- -	- -	- -
Medical supplies	- -	- -	- -	- -
Vehicle expenses and repairs	- -	- -	- -	- -
Vehicle rental	- -	- -	- -	- -
General program supplies	- -	- -	- -	- -
Clothing	- -	- -	- -	- -
Miscellaneous	- -	- -	18.237	18.237
Interest	- -	- -	- -	- -
Bad debts	- -	- -	- -	- -
Property tax expense	- -	- -	- -	- -
Cost of in-kind donated goods	- -	- -	- -	- -
Medicaid assessments	- -	- -	- -	- -
Flex fund	- -	- -	- -	- -
Kids activity fund	- -	- -	- -	- -
Loss on impairment of assets	- -	- -	- -	- -
Expenses before depreciation, amortization and intercompany fees	- -	- -	20.898	20.898
Depreciation and amortization	- -	- -	- -	- -
Intercompany management and residential fees	- -	- -	3.000	3.000
Eliminations	- -	- -	- -	- -
Totals, Year Ended June 30, 2011	\$ -	\$ -	\$ 23.898	\$ 23.898

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Real Estate Holdings, Inc.**  
**Year Ended June 30, 2011**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
	\$	\$	\$	\$
Salaries and wages	-	-	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Total salaries, wages and related expenses	-	-	-	-
Office supplies and printing	-	-	-	-
Copyer and fax expense	-	-	-	-
Postage	-	-	-	-
Employee recruitment and advertising	-	-	-	-
Licenses and dues	-	974	-	974
Insurance	-	20,304	-	20,304
Travel	-	-	-	-
Telephone	-	-	-	-
Professional fees	-	3,974	-	3,974
Contract labor	-	-	-	-
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	-	69,745	-	69,745
Staff development	-	-	-	-
Promotion	-	-	-	-
Office rent	-	-	-	-
Equipment expenses	-	-	-	-
Maintenance and repairs	-	560	-	560
Safety services and materials	-	-	-	-
Food	-	-	-	-
Food – outings	-	-	-	-
Housekeeping supplies	-	-	-	-
Miscellaneous housekeeping	-	-	-	-
Utilities	-	-	-	-
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	-	-	-
Vehicle rental	-	-	-	-
General program supplies	-	-	-	-
Clothing	-	-	-	-
Miscellaneous	-	77	-	77
Interest	-	50,062	-	50,062
Bad debts	-	-	-	-
Property tax expense	-	18,487	-	18,487
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	-	164,183	-	164,183
Depreciation and amortization	-	357,972	-	357,972
Intercompany management and residential fees	-	45,000	-	45,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2011	<hr/>	<hr/>	<hr/>	<hr/>
	\$	\$	\$	\$
	-	567,155	-	567,155

**KVC Health Systems, Inc.**  
**Schedule of Revenue and Expenses for**  
**Kansas Department of Social and Rehabilitation Services**  
**Reintegration/Foster Care Services – Region 2**  
**Year Ended June 30, 2011**

**Revenue**

SRS contract	\$ 29,220,926
Contributions	422,130
Other - interest and miscellaneous	74,468
Total revenue	<u>29,717,524</u>

**Expenses**

Administration

Salaries and wages (including taxes and benefits)	1,216,615
Rent and utilities	133,650
Contractual	121,544
Other	467,712
Total administration	<u>1,939,521</u>

Case management

Salaries and wages (including taxes and benefits)	6,973,578
Other - all other case management expenses	1,653,393
Total case management	<u>8,626,971</u>

Mental health

Independent living	10,374
Child care	979,577

Residential

Foster care and relatives	4,903,460
Diversion foster care	4,338,538
Level IV and emergency shelters	876,096
Total residential	<u>10,118,094</u>

Other

Clothing	321,920
Transportation	800,912
Other - depreciation and amortization	126,658
Total other	<u>1,249,490</u>

Total expenses

23,398,500

Revenues over expenses

\$ 6,319,024

**KVC Health Systems, Inc.**  
**Schedule of System of Care Grant**  
**Year Ended June 30, 2011**

**Revenue**

Grant revenue	\$ 58,033
Total revenue	<u>58,033</u>

**Expenses**

Salaries and wages	38,164
Taxes and benefits	8,224
Office supplies and expenses	362
Indirect administrative expenses	5,276
Other (telephone, utilities, etc )	6,007
Total expenses	<u>58,033</u>

Revenues over expenses	<u><u>\$ -</u></u>
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