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Form <b>990</b>  Department of the Treasury Internal Revenue Service	<b>Return of Organization Exempt From Income Tax</b>  <b>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)</b>	OMB No 1545-0047 <div> <div>2011</div> <div>Open to Public Inspection</div> </div>
	The organization may have to use a copy of this return to satisfy state reporting requirements	

<b>A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012</b>		<b>D Employer identification number</b> 27-1672159	
<b>B</b> Check if applicable <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization KVC Hospitals Inc  Doing Business As  Number and street (or P O box if mail is not delivered to street address) Room/suite 21350 W 153rd St  City or town, state or country, and ZIP + 4 Olathe, KS 66061		<b>E Telephone number</b>  (913) 322-4900
	<b>F</b> Name and address of principal officer B WAYNE SIMS 21350 W 153RD ST OLATHE,KS 66061		<b>G</b> Gross receipts \$ 16,278,257
<b>I</b> Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no ) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			<b>H(a)</b> Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>H(b)</b> Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)  <b>H(c)</b> Group exemption number ▶
<b>J Website:</b> ▶ WWW.KVC.ORG			
<b>K</b> Form of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L</b> Year of formation 2010	<b>M</b> State of legal domicile KS

Part I		Summary	
Activities & Governance	<b>1</b> 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		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .	<b>3</b>	6
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .	<b>4</b>	0
	<b>5</b> Total number of individuals employed in calendar year 2011 (Part V, line 2a) . . . . .	<b>5</b>	337
	<b>6</b> Total number of volunteers (estimate if necessary) . . . . .	<b>6</b>	14
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .	<b>7a</b>	0
	<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 . . . . .	<b>7b</b>	0
Revenue	<b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .	<b>Prior Year</b>	<b>Current Year</b>
	<b>9</b> Program service revenue (Part VIII, line 2g) . . . . .	396,604	975,666
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .	15,547,001	15,247,124
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .	1,387	1,393
	<b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12) . . . . .	51,000	54,074
		15,995,992	16,278,257
Expenses	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . . . .	502	115
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .	0	0
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10) . . . . .	10,136,473	7,913,641
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .	0	0
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .	7,676,691	8,230,627
	<b>18</b> Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25) . . . . .	17,813,666	16,144,383
	<b>19</b> Revenue less expenses Subtract line 18 from line 12 . . . . .	-1,817,674	133,874
Net Assets or Fund Balances		<b>Beginning of Current Year</b>	<b>End of Year</b>
	<b>20</b> Total assets (Part X, line 16) . . . . .	4,881,691	4,711,116
	<b>21</b> Total liabilities (Part X, line 26) . . . . .	1,409,037	1,040,487
	<b>22</b> Net assets or fund balances Subtract line 21 from line 20 . . . . .	3,472,654	3,670,629

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

<b>Sign Here</b>	***** Signature of officer			2013-05-15 Date	
	B WAYNE SIMS DIRECTOR/BOARD PRESIDENT Type or print name and title				
<b>Paid Preparer's Use Only</b>	Preparer's signature  Michael J Engle		Date	Check if self-employed 	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4  BKD LLP 1201 Walnut Suite 1700 Kansas City, MO 641062246			EIN 	
				Phone no  (816) 221-6300	

Check if Schedule O contains a response to any question in this Part III . . . . . ☒

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**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations 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 \$ 3,449,952 including grants of \$ 115 ) (Revenue \$ 4,127,450 )  
 WHEATLAND 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 WITH THE HIGHEST INDUSTRY SAFETY STANDARDS PSYCHIATRIC HOSPITAL, RESIDENTIAL TREATMENT FACILITY PROGRAMS ARE PROVIDED FROM THIS LOCATION (SEE CONTINUATION ON SCHEDULE O) THERAPY (TST) AND IS A LEADER IN TRAUMA INFORMED CARE (SEE CONTINUATION ON SCHEDULE O)

<b>4b</b>	(Code ) (Expenses \$ 10,741,739 including grants of \$ 0 ) (Revenue \$ 11,119,674 )
	<p>PRAIRIE RIDGE KVC PROVIDES A CONTINUUM OF MEDICAL &amp; BEHAVIORAL HEALTHCARE SERVICES TO MORE THAN 1,000 CHILDREN &amp; ADOLESCENTS EACH YEAR AT ITS JOINT-COMMISSION ACCREDITED, 75-ACRE CAMPUS IN KANSAS CITY PSYCHIATRIC HOSPITAL AND RESIDENTIAL TREATMENT FACILITIES ARE PROVIDED WITH THE HIGHEST INDUSTRY SAFETY STANDARDS KVC SEEKS TO WORK "IN CHILD'S TIME" TO PROVIDE COMPASSIONATE AND EFFECTIVE CARE THROUGH THE USE OF TIMELY, INDIVIDUALIZED TREATMENT PLANNING IN COLLABORATION WITH THE CHILD/YOUTH, FAMILY AND COMMUNITY (SEE CONTINUATION ON SCHEDULE O)</p>





















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**4d** Other program services (Describe in Schedule O )  
(Expenses \$ \_\_\_\_\_ including grants of \$ \_\_\_\_\_ ) (Revenue \$ \_\_\_\_\_ )

<b>4e</b>	<b>Total program service expenses</b>	<b>\$ 14,191,691</b>
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Part IV

Checklist of Required Schedules

		Yes	No	
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3		No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8		No
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? <i>If "Yes," complete Schedule D, Part IV.</i> 	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c		No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	Yes	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a		No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> . . . . .	14b		No
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 ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . . .	15		No
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 ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . . .	16		No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17		No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18		No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19		No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> . . . . . 	20a	Yes	
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	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? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	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? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	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? <i>If "Yes," complete Schedule J</i> . . . . .	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? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i> . . . . .	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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part I</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? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	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? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	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)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		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 owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	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? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	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	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>						
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>						
		<b>Yes</b>	<b>No</b>			
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	<b>1a</b>	139			
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	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?	<b>1c</b>	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. .	<b>2a</b>	337			
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes			
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>				No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	<b>3b</b>				
<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 or securities account)?	<b>4a</b>				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?	<b>5a</b>				No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>				No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>				
<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?	<b>6a</b>				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?	<b>6b</b>				
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>					
<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?	<b>7a</b>				No
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>				
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>				No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year.	<b>7d</b>				
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>				No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>				No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>				
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>				
<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?	<b>8</b>				
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>					
<b>a</b>	Did the organization make any taxable distributions under section 4966?	<b>9a</b>				
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>				
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter					
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12.	<b>10a</b>				
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	<b>10b</b>				
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter					
<b>a</b>	Gross income from members or shareholders.	<b>11a</b>				
<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>11b</b>				
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>				
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	<b>12b</b>				
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>					
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	<b>13a</b>				
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	<b>13b</b>				
<b>c</b>	Enter the aggregate amount of reserves on hand.	<b>13c</b>				
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>				No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	<b>14b</b>				

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

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1a	6		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	0
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?	2	No
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?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
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	9	No

Section B. Policies

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

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

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	KS
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 made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. 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 KLAYDER 21350 W 153RD ST OLATHE, KS 66061 (913) 322-4900

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

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

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

[illegible]



## Part VII

<b>1b</b>	<b>Sub-Total</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A</b>			
<b>d</b>	<b>Total (add lines 1b and 1c)</b>	215,133	725,304	129,221

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization in 2012.

		Yes	No
3	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> . . . . .	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	5	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. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
VISHAL ADMA MD PA	CONTRACTED SERVICES	961,632
WEISS STAFFING SOLUTIONS	CONTRACTED SERVICES	297,549
PROF NURSING SERVICES	CONTRACTED SERVICES	250,184
PHYSICIANS REFERENCE LAB	CONTRACTED SERVICES	177,510
GOOD CARE PEDIATRICS	CONTRACTED SERVICES	117,000
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization <b>7</b>		

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
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a 40,375				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c				
	d	Related organizations . . . .	1d				
	e	Government grants (contributions)	1e 873,470				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f 61,821				
	g	Noncash contributions included in lines 1a-1f \$ _____					
	h	Total. Add lines 1a-1f . . . . .					
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	Business Code 624100	15,247,124	15,247,124		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		15,247,124			
	Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		1,393		
4		Income from investment of tax-exempt bond proceeds . .		0			
5		Royalties . . . . .		0			
6a		Gross rents	(i) Real (ii) Personal				
b		Less rental expenses					
c		Rental income or (loss)					
d		Net rental income or (loss) . . . . .					
7a		Gross amount from sales of assets other than inventory	(i) Securities (ii) Other	0			
b		Less cost or other basis and sales expenses					
c		Gain or (loss)					
d		Net gain or (loss) . . . . .					
8a		Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . .	a	0			
b		Less direct expenses . . . .	b				
c		Net income or (loss) from fundraising events . .					
9a		Gross income from gaming activities See Part IV, line 19 . . . .	a	0			
b		Less direct expenses . . . .	b				
c		Net income or (loss) from gaming activities . .					
10a		Gross sales of inventory, less returns and allowances . . . .	a	0			
b		Less cost of goods sold . . .	b				
c		Net income or (loss) from sales of inventory . .					
Miscellaneous Revenue		Business Code					
11a	MISCELLANEOUS	900099	54,074			54,074	
b							
c							
d	All other revenue . . . . .						
e	Total. Add lines 11a-11d . . . . .		54,074				
12	Total revenue. See Instructions . . . .		16,278,257	15,247,124		55,467	

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

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	0			
2	Grants and other assistance to individuals in the United States See Part IV, line 22	115	115		
3	Grants and other assistance to governments, organizations, and individuals outside the United States 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 . . . . .	119,734	119,734		
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	6,453,472	6,453,472		
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	100,000	100,000		
9	Other employee benefits . . . . .	642,756	642,756		
10	Payroll taxes . . . . .	597,679	597,679		
11	Fees for services (non-employees)				
a	Management . . . . .	1,235,000		1,235,000	
b	Legal . . . . .	62,242	62,242		
c	Accounting . . . . .	0			
d	Lobbying . . . . .	0			
e	Professional fundraising See Part IV, line 17 . . . . .	0			
f	Investment management fees . . . . .	0			
g	Other . . . . .	3,201,993	3,201,993		
12	Advertising and promotion . . . . .	8,789	8,789		
13	Office expenses . . . . .	1,351,752	1,351,752		
14	Information technology . . . . .	0			
15	Royalties . . . . .	0			
16	Occupancy . . . . .	850,772	850,772		
17	Travel . . . . .	88,669	88,669		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .	0			
19	Conferences, conventions, and meetings . . . . .	25,568	25,568		
20	Interest . . . . .	5,467		5,467	
21	Payments to affiliates . . . . .	0			
22	Depreciation, depletion, and amortization . . . . .	461,143	461,143		
23	Insurance . . . . .	90,403		90,403	
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	161,949	161,949		
b	LICENSES & DUES	33,539	33,539		
c	CLOTHING & INCIDENTALS	23,647	23,647		
d	BAD DEBT EXPENSE	621,000		621,000	
e					
f	All other expenses	8,694	7,872	822	
25	Total functional expenses. Add lines 1 through 24f	16,144,383	14,191,691	1,952,692	0
26	Joint costs. Check here <input 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

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			339,261	1	57,258
	2	Savings and temporary cash investments . . . . .			56,560	2	15,049
	3	Pledges and grants receivable, net . . . . .			61,371	3	90,279
	4	Accounts receivable, net . . . . .			3,113,689	4	3,269,053
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			0	5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .			0	6	0
	7	Notes and loans receivable, net . . . . .			0	7	0
	8	Inventories for sale or use . . . . .			0	8	0
	9	Prepaid expenses and deferred charges . . . . .			149,761	9	94,292
	10a	Land, buildings, and equipment—cost or other basis. Complete Part VI of Schedule D . . . . .	10a	2,843,689	1,156,049	10c	1,179,285
	b	Less—accumulated depreciation . . . . .	10b	1,664,404			
	11	Investments—publicly traded securities . . . . .			0	11	0
	12	Investments—other securities. See Part IV, line 11 . . . . .			0	12	0
	13	Investments—program-related. See Part IV, line 11 . . . . .			0	13	0
	14	Intangible assets . . . . .			0	14	0
	15	Other assets. See Part IV, line 11 . . . . .			5,000	15	5,900
	16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			4,881,691	16	4,711,116
Liabilities	17	Accounts payable and accrued expenses . . . . .			1,234,532	17	894,061
	18	Grants payable . . . . .			0	18	0
	19	Deferred revenue . . . . .			75,597	19	100,987
	20	Tax-exempt bond liabilities . . . . .			0	20	0
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			0	21	0
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			0	22	0
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			98,908	23	45,439
	24	Unsecured notes and loans payable to unrelated third parties . . . . .			0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D . . . . .			0	25	0
	26	Total liabilities. Add lines 17 through 25 . . . . .			1,409,037	26	1,040,487
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			3,472,654	27	3,670,629
	28	Temporarily restricted net assets . . . . .			0	28	0
	29	Permanently restricted net assets . . . . .			0	29	0
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			3,472,654	33	3,670,629
	34	Total liabilities and net assets/fund balances . . . . .			4,881,691	34	4,711,116

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	16,278,257
2	Total expenses (must equal Part IX, column (A), line 25)	2	16,144,383
3	Revenue less expenses Subtract line 2 from line 1	3	133,874
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	3,472,654
5	Other changes in net assets or fund balances (explain in Schedule O)	5	64,101
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	3,670,629

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?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	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	Yes	
d	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?	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public  
Inspection

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 **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 Se**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  

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

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)

f

☐

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

g

☐

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 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?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

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

Part II

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(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 (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
11	Total support (Add lines 7 through 10)						
12	Gross receipts from related activities, etc (See instructions )					12	
13	First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage		
14	Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	<b>33 1/3% support test—2011.</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—2010.</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—2011.</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—2010.</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 IIIPart III

Support Schedule for Organizations Described in IRC 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) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		



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

Facts And Circumstances Test

Explanation

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

***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 2009.

***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.

***Reclassifications***

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

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.**

OMB No 1545-0047

2011

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, line 35c (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 on behalf of or in opposition to candidates for public office 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?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 funtion 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 <b>Form 1120-POL</b> for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures) 
- B

Check

☐

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		0	0												
b Total lobbying expenditures to influence a legislative body (direct lobbying)		0	61,410												
c Total lobbying expenditures (add lines 1a and 1b)		0	61,410												
d Other exempt purpose expenditures		16,144,383	122,698,073												
e Total exempt purpose expenditures (add lines 1c and 1d)		16,144,383	122,759,483												
f Lobbying nontaxable amount Enter the amount from the following table in both columns		957,219	4,695,469												
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)		239,305	1,173,869												
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input 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.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount			4,747,161	4,695,469	9,442,630
b Lobbying ceiling amount (150% of line 2a, column(e))					14,163,945
c Total lobbying expenditures			62,693	61,410	124,103
d Grassroots non-taxable amount			1,186,790	1,173,869	2,360,659
e Grassroots ceiling amount (150% of line 2d, column (e))					3,540,989
f Grassroots lobbying expenditures			0	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
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?			
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
c	Media advertisements?			
d	Mailings to members, legislators, or the public?			
e	Publications, or published or broadcast statements?			
f	Grants to other organizations for lobbying purposes?			
g	Direct contact with legislators, their staffs, government officials, or a legislative body?			
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
i	Other activities? If "Yes," describe in Part IV			
j	Total lines 1c through 1i			
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?			
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

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

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

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

Part IV

Supplemental Information

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 1i. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE D  
(Form 990)

Supplemental Financial Statements

OMB No 1545-0047

2011

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, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
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?	
	<div>Yes</div> <div>No</div>	
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	
	<div>Yes</div> <div>No</div>	

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)

☐ Protection of natural habitat

☐ Preservation of open space

☐ Preservation of an historically importantly land area

☐ Preservation of a certified historic structure

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

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

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
<b>1c</b>	
<b>1d</b>	
<b>1e</b>	
<b>1f</b>	

**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
<b>1a</b> Beginning of year balance . . . . .					
<b>b</b> Contributions . . . . .					
<b>c</b> Investment earnings or losses . . . . .					
<b>d</b> Grants or scholarships . . . . .					
<b>e</b> Other expenditures for facilities and programs . . . . .					
<b>f</b> Administrative expenses . . . . .					
<b>g</b> End of year balance . . . . .					

**2** Provide the estimated percentage of the 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

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

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

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

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
<b>1a</b> Land . . . . .	0	0		0
<b>b</b> Buildings . . . . .	0	0	0	0
<b>c</b> Leasehold improvements . . . . .	0	1,146,028	671,921	474,107
<b>d</b> Equipment . . . . .	0	1,692,780	992,483	700,297
<b>e</b> Other . . . . .	0	4,881	0	4,881
<b>Total.</b> Add lines 1a-1e <i>(Column (d) should equal Form 990, Part X, column (B), line 10(c).)</i> . . . . . ▶				1,179,285





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

2011

Open to Public Inspection

Department 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

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input checked="" type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input type="checkbox"/> Other _____ %</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . . <div><input type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input checked="" type="checkbox"/> Other <b>150. %</b></div> c If the organization did 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	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b		No
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? . . . . .	5c		
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a		No
6b	If "Yes," did the organization make it available to the public? . . . . .	6b		
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care 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 Charity care at cost (from Worksheet 1) . . . . .						
b Medicaid (from Worksheet 3, column a) . . . . .			12,044,493	11,323,778	720,715	4 190 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .						
d Total Charity Care and Means-Tested Government Programs . . . . .			12,044,493	11,323,778	720,715	4 190 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .						
j Total Other Benefits . . . . .						
k Total. Add lines 7d and 7j . . . . .			12,044,493	11,323,778	720,715	4 190 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(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
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	621,000	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3	0	
4Provide 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

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

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1NONE				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

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

## Name and address

[illegible]

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)

WHEATLAND

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): \_\_\_\_\_1\_\_\_\_\_

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
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 . . . . . 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 those 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 the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
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? . . . . . 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)	5	
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"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in 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 CHNA 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	
Financial Assistance Policy		
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	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>100</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>150</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
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 <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
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 <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

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 (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

	Yes	No
<b>18</b> 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 why	<b>18</b>	No
<b>a</b> <input checked="" type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
<b>b</b> <input type="checkbox"/> The hospital facility's policy was not in writing		
<b>c</b> <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

<b>19</b> Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
<b>a</b> <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
<b>b</b> <input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
<b>c</b> <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
<b>d</b> <input type="checkbox"/> Other (describe in Part VI)		
<b>20</b> 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	<b>20</b>	No
<b>21</b> Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	<b>21</b>	No

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)

PRAIRIE RIDGE

Name of Hospital Facility:

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

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
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 . . . . . 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 those 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 the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
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? . . . . . 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)	5	
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"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in 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 CHNA 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	
Financial Assistance Policy		
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	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care 100% If "No," explain in Part VI the criteria the hospital facility used	9	Yes



Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>150</u> % If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
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 <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input checked="" type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
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 <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

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 (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

	Yes	No
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 why	18	No
a <input checked="" type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b <input type="checkbox"/> The hospital facility's policy was not in writing		
c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d <input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a <input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b <input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c <input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d <input type="checkbox"/> Other (describe in Part VI)		
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	20	No
21 Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI	21	No

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 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		
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 descriptions 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, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health 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
SCHEDULE H, PART I, LINE 7		THE COSTING METHODOLOGY USED IN DETERMINING THE AMOUNTS REPORTED IN THE TABLE WAS BASED ON WORKSHEET 3 USING GROSS PATIENT CHARGES LESS COST OF THE SERVICE PROVIDED THE EXCESS COST WAS THEN DIVIDED BY THE TOTAL EXPENSE LESS BAD DEBT

Identifier	ReturnReference	Explanation
SCHEDULE H, PART I, LINE 7, COLUMN (F)		BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25 BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$621,000

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 ARE DETERMINED BY TAKING THE AMOUNT OF REVENUE RECORDED FROM THE BAD DEBT, DIVIDING BY THE TOTAL REVENUE, MULTIPLYING BY THE PROFIT FOR THE YEAR, THEN SUBTRACTING 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
FINACIAL ASSISTANCE POLICY	SCHEDULE H, PART V, SECTION B, LINE 11H	Presumptive Eligibility - e g , Food Stamp Program, Infants, Children, etc ) If the patient is already enrolled in one of these programs, they will automatically qualify for some level of financial assistance based on their income level



Identifier	ReturnReference	Explanation
NEEDS ASSESMENT	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
AMOUNTS CHARGED TO FAP ELIGIBLE INDIVIDUALS	SCHEDULE H, PART V, LINE 19D	THE MEDICAID RATES ARE USED WHEN CALCULATING THE MAXIMUM AMOUNTS THAT CAN BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR EMERGENCY OR MEDICALLY NECESSARY CARE 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 OFTEN COME FROM LOW INCOME OR LOW MIDDLE INCOME HOUSEHOLDS PRAIRIE RIDGE GENERALLY SERVES CHILDREN FROM THE GREATER METROPOLITAN KANSAS CITY AREA AND ALSO SERVES SOME CHILDREN FROM EASTERN NEBRASKA WHEN LOCAL PROVIDERS CANNOT EFFECTIVELY MEET THEIR NEEDS

Identifier	ReturnReference	Explanation
PROMOTION OF COMMUNITY HEALTH	SCHEDULE H, PART VI, LINE 5	KVC HOSPITALS ARE PSYCHIATRIC HOSPITALS THEREFORE TRAINING PROVIDED IN THE COMMUNITY HELPS EXPAND THE UNDERSTANDING OF BEHAVIORAL HEALTHCARE ISSUES, PARTICULARLY IN PRE- ADOLESCENTS AND ADOLESCENTS KVC IS A LEADER IN TRAUMA INFORMED CARE AND TREATMENT KVC PROFESSIONALS PROVIDE TRAINING TO COMMUNITY PROVIDERS AND KVC ALSO PROVIDES CONFERENCES LED BY NATIONAL PURVEYORS AND EXPERTS THESE EVENTS PROMOTE CONTINUITY AND PROFESSIONAL GROTWH IN THE TREATMENT CULTURES OF OUR VARIOUS COMMUNITIES

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

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.

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		
	<div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div></div> <div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div></div> <div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div></div> <div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
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	1b	
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?	2	
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		
	<div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div></div> <div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Compensation survey or study</div></div> <div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>		
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?	4a	No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
	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?	5a	No
b	Any related organization?	5b	No
	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?	6a	No
b	Any related organization?	6b	No
	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	7	No
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	8	No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

**Part II** **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space 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) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(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	0	0	0	0	0	0
	(ii)	246,647	0	0	50,000	7,275	303,922	229,324
(2) ANNE ROBERTS - SEE SCH O	(i)	0	0	0	0	0	0	0
	(ii)	166,443	0	0	10,000	7,433	183,876	160,755
(3) PAUL KLAYDER - SEE SCH O	(i)	0	0	0	0	0	0	0
	(ii)	151,784	0	0	10,000	9,393	171,177	147,246
(4) SHERRY LOVE - SEE SCH O	(i)	0	0	0	0	0	0	0
	(ii)	160,430	0	0	10,000	7,568	177,998	156,513

Part IIISupplemental 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
PAYMENT OF COMPENSATION	SCHEDULE J, PART II	THE COMPENSATION REPORTED ON SCHEDULE J, PART II WAS PAID BY KVC HEALTH SYSTEMS, INC. A RELATED TAX EXEMPT ORGANIZATION. 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 COMPENSATION OF B WAYNE SIMS, BOARD PRESIDENT OF KVC HOSPITALS, INC. AND PRESIDENT/CEO OF KVC HEALTH SYSTEMS, INC.



Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V lines 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
KVC Hospitals Inc

Employer identification number  
27-1672159

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).  
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

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

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

Part II Loans to and/or From Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . . ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

**Part IV**

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) VISHAL ADMA MD PA	SEE PART V	961,632	SEE PART V		No

**Part V**

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

Identifier	Return Reference	Explanation
BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS	SCHEDULE L, PART IV, LINE 1	(B) VISHAL ADMA, M D IS A DIRECTOR OF KVC HOSPITALS, INC AND OWNER VISHAL ADMA, M D , P A (D) VISHAL ADMA, M D P A IS COMPENSATED FOR THE SERVICES OF MEDICAL DIRECTOR AND PROVIDING THE DOCTORS FOR PSYCHIATRIC SERVICES FOR KVC HOSPITALS, 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.**

OMB No 1545-0047

**2011**

**Open to Public  
Inspection**

Name of the organization  
KVC Hospitals Inc

**Employer identification number**

27-1672159

Identifier	Return Reference	Explanation
PROGRAM SERVICE ACCOMPLISHMENTS	FORM 990, PART III, LINES 4A & 4B	<p>LINE 4A KVC SEEKS TO WORK "IN CHILD'S TIME" TO PROVIDE COMPASSIONATE AND EFFECTIVE CARE THROUGH THE USE OF TIMELY, INDIVIDUALIZED TREATMENT PLANNING IN COLLABORATION WITH EACH CHILD/YOUTH, THEIR FAMILY AND COMMUNITY KVC HAS HAD A STRONG RELATIONSHIP WITH DR GLENN SAXE, THE DEVELOPER OF TRAUMA SYSTEMS THERAPY (TST) AND IS A LEADER IN TRAUMA INFORMED CARE. IN ADDITION TO ITS PRIVATE COMMUNITY HOSPITAL, KVC'S STAR PROGRAM REPRESENTS INPATIENT HOSPITAL SERVICES FOR CHILDREN REFERRED BY THE STATE, ALLOWING KANSAS TO CLOSE ITS PREVIOUSLY STATE OPERATED, INPATIENT HOSPITALS FOR CHILDREN AND ADOLESCENTS. 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 MANY KANSAS COMMUNITIES TO SUPPORT SUCCESSFUL COMMUNITY TRANSITION. KVC SERVES AS A TEACHING SITE FOR CHILD PSYCHIATRY FELLOWS FROM THE UNIVERSITY OF KANSAS MEDICAL CENTER, AND FOR SOCIAL WORKERS AND NURSES FROM NUMEROUS AREA UNIVERSITIES.</p> <p>LINE 4B KVC HAS A LONG, ESTABLISHED RELATIONSHIP WITH DR GLENN SAXE, THE DEVELOPER OF TRAUMA SYSTEMS THERAPY (TST) IN ADDITION TO OTHER EVIDENCE-BASED TREATMENT AND BEST PRACTICE MODELS. KVC IS A LEADER IN PROVIDING TRAUMA INFORMED CARE. IN ADDITION TO ITS PRIVATE COMMUNITY HOSPITAL, KVC'S STAR PROGRAM REPRESENTS A HOSPITAL PROGRAM FOR CHILDREN AND YOUTH REFERRED BY THE STATE, ALLOWING KANSAS TO CLOSE ITS PREVIOUSLY STATE OPERATED, HOSPITAL PROGRAMS FOR CHILDREN AND ADOLESCENTS. 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 CHILD PSYCHIATRY ROTATIONS AS WELL AS SOCIAL WORKERS AND NURSES FROM NUMEROUS AREA UNIVERSITIES AND PROGRAMS.</p>

Identifier	Return Reference	Explanation
MEMBERS OR STOCKHOLDERS	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, 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 OR STOCKHOLDERS 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 OR STOCKHOLDERS	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
PROCESS TO REVIEW THE 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 AND 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



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 -KS REINTEGRATION CONTRACT REGION 2 27% - KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA, INC 6% - KVC HEALTH SYSTEMS, INC 7% - KVC BEHAVIORAL HEALTHCARE KENTUCKY, INC 4% - KVC BEHAVIROAL HEALTHCARE NEBRASKA, INC 43% - KVC HOSPITALS, INC 12% - KVC REAL ESTATE HOLDINGS, INC 1% - KVC FOUNDATION, INC <1%

Identifier	Return Reference	Explanation
RECONCILIATION OF NET ASSETS	FORM 990, PART XI, LINE 5	INTERCOMPANY TRANSFER \$64,101

Identifier	Return Reference	Explanation
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

SCHEDULE R  
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

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

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) KCV HEALTH SYSTEMS INC  21350 W 153RD STREET  OLATHE, KS 66061 26-2516589	MANAGEMENT	KS	501(C)(3)	11B	NA		No
(2) KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA  200 BRADFORD ST  CHARLESTON, WV 25301 31-1770280	FOSTER CARE	KS	501(C)(3)	9	KVC HSI	Yes	
(3) KVC FOUNDATION INC  21350 W 153RD STREET  OLATHE, KS 66061 26-2516476	FUNDRAISING	WV	501(C)(3)	11B	KVC HSI	Yes	
(4) KVC REAL ESTATE HOLDINGS INC  21350 W 153RD STREET  OLATHE, KS 66061 26-2516519	REAL ESTATE	KS	501(C)(3)	11B	KVC HSI	Yes	
(5) KVC BEHAVIORAL HEALTHCARE KENTUCKY INC  900 BEASLEY STREET  LEXINGTON, KY 40509 27-0795565	IN HOME SVCS	KS	501(C)(3)	9	KVC HSI	Yes	
(6) KVC BEHAVIORAL HEALTHCARE NEBRASKA INC  10909 MILL VALLEY ROAD  OMAHA, NE 68154 27-0408957	FOSTER CARE	KY	501(C)(3)	9	KVC HSI	Yes	
(7) KVC BEHAVIORAL HEALTHCARE INC  21350 W 153RD STREET  OLATHE, KS 66061 48-0770308	FOSTER CARE	NE	501(C)(3)	9	KVC HSI	Yes	

Part III

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership



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 related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

Yes

Yes

Yes

No

Yes

No

No

Yes

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) See Additional Data Table			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

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.

[illegible]

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 501(c)(3))	(f) Direct Controlling Entity	(g) Section 512 (b)(13) controlled organization	
KCV HEALTH SYSTEMS INC  21350 W 153RD STREET OLATHE, KS 66061 26-2516589	MANAGEMENT	KS	501(C)(3)	11B	NA		No
KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA  200 BRADFORD ST CHARLESTON, WV 25301 31-1770280	FOSTER CARE	KS	501(C)(3)	9	KVC HSI	Yes	
KVC FOUNDATION INC  21350 W 153RD STREET OLATHE, KS 66061 26-2516476	FUNDRAISING	WV	501(C)(3)	11B	KVC HSI	Yes	
KVC REAL ESTATE HOLDINGS INC  21350 W 153RD STREET OLATHE, KS 66061 26-2516519	REAL ESTATE	KS	501(C)(3)	11B	KVC HSI	Yes	
KVC BEHAVIORAL HEALTHCARE KENTUCKY INC  900 BEASLEY STREET LEXINGTON, KY 40509 27-0795565	IN HOME SVCS	KS	501(C)(3)	9	KVC HSI	Yes	
KVC BEHAVIORAL HEALTHCARE NEBRASKA INC  10909 MILL VALLEY ROAD OMAHA, NE 68154 27-0408957	FOSTER CARE	KY	501(C)(3)	9	KVC HSI	Yes	
KVC BEHAVIORAL HEALTHCARE INC  21350 W 153RD STREET OLATHE, KS 66061 48-0770308	FOSTER CARE	NE	501(C)(3)	9	KVC HSI	Yes	

**Form 990, Schedule R, Part V - Transactions With Related Organizations**

<b>(a)</b> Name of other organization		<b>(b)</b> Transaction type(a-r)	<b>(c)</b> Amount Involved (\$)	<b>(d)</b> Method of determining amount involved
<b>(1)</b>	KVC BEHAVIORAL HEALTHCARE INC	Q	1,626,524	BOOK VALUE
<b>(2)</b>	KVC BEHAVIORAL HEALTHCARE NEBRASKA INC	Q	651,073	BOOK VALUE
<b>(3)</b>	KVC BEHAVIORAL HEALTHCARE INC	R	917,567	BOOK VALUE
<b>(4)</b>	KVC BEHAVIORAL HEALTHCARE NEBRASKA INC	R	315,577	BOOK VALUE
<b>(5)</b>	KVC REAL ESTATE HOLDINGS INC	I	521,400	BOOK VALUE
<b>(6)</b>	KVC BEHAVIORAL HEALTHCARE INC	L	96,000	BOOK VALUE
<b>(7)</b>	KVC BEHAVIORAL HEALTHCARE NEBRASKA INC	K	644,592	BOOK VALUE

## TY 2011 Affiliated Group Schedule

**Name:** KVC Hospitals Inc

**EIN:** 27-1672159

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

**Address. Either US or Foreign Type:** 21350 W 153RD STREET  
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:** 31,330,682

**Total Exempt Purpose Expenditures:** 31,330,682

**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 Type:** 21350 W 153RD STREET  
OLATHE, KS 66061

**EIN:** 26-2516589

**Electing Organization Checkbox:** ☒

**Total Grassroots Lobbying:** 0

**Total Direct Lobbying:** 61,410

**Total Lobbying Expenditures:** 61,410

**Other Exempt Purpose Expenditures:** 8,427,283

**Total Exempt Purpose Expenditures:** 8,488,693

**Lobbying Nontaxable Amount:** 574,435

**Grassroots Nontaxable Amount:** 143,609

**Tot Lobbying Grassroot Minus Non Tx:** 0

**Tot Lobby Expend Mns Lobbying Non Tx:** 0

**Share Of Excess Lobbying:** 0

<b>Affiliated Group Business Name:</b>		KVC BEHAVIORAL HEALTHCARE WE
<b>Address. Either US or Foreign Type:</b>		200 BRADFORD ST CHARLESTON, WV 25301
<b>EIN:</b>		31-1770280
<b>Electing Organization Checkbox:</b>		<input checked="" type="checkbox"/>
<b>Total Grassroots Lobbying:</b>	0	
<b>Total Direct Lobbying:</b>	0	
<b>Total Lobbying Expenditures:</b>	0	
<b>Other Exempt Purpose Expenditures:</b>	10,034,927	
<b>Total Exempt Purpose Expenditures:</b>	10,034,927	
<b>Lobbying Nontaxable Amount:</b>	651,746	
<b>Grassroots Nontaxable Amount:</b>	162,937	
<b>Tot Lobbying Grassroot Minus Non Tx:</b>	0	
<b>Tot Lobby Expend Mns Lobbying Non Tx:</b>	0	
<b>Share Of Excess Lobbying:</b>	0	

<b>Affiliated Group Business Name:</b>		KVC BEHAVIORAL HEALTHCARE KE
<b>Address. Either US or Foreign Type:</b>		900 BEASLEY STREET LEXINGTON, KY 40509
<b>EIN:</b>		27-0795565
<b>Electing Organization Checkbox:</b>		<input checked="" type="checkbox"/>
<b>Total Grassroots Lobbying:</b>	0	
<b>Total Direct Lobbying:</b>	0	
<b>Total Lobbying Expenditures:</b>	0	
<b>Other Exempt Purpose Expenditures:</b>	5,525,733	
<b>Total Exempt Purpose Expenditures:</b>	5,525,733	
<b>Lobbying Nontaxable Amount:</b>	426,287	
<b>Grassroots Nontaxable Amount:</b>	106,572	
<b>Tot Lobbying Grassroot Minus Non Tx:</b>	0	
<b>Tot Lobby Expend Mns Lobbying Non Tx:</b>	0	
<b>Share Of Excess Lobbying:</b>	0	

<b>Affiliated Group Business Name:</b>		KVC BEHAVIORAL HEALTHCARE NE
<b>Address. Either US or Foreign Type:</b>		10909 MILL VALLEY ROAD OMAHA, NE 68154
<b>EIN:</b>		27-0408957
<b>Electing Organization Checkbox:</b>		<input checked="" type="checkbox"/>
<b>Total Grassroots Lobbying:</b>	0	
<b>Total Direct Lobbying:</b>	0	
<b>Total Lobbying Expenditures:</b>	0	
<b>Other Exempt Purpose Expenditures:</b>	50,806,156	
<b>Total Exempt Purpose Expenditures:</b>	50,806,156	
<b>Lobbying Nontaxable Amount:</b>	1,000,000	
<b>Grassroots Nontaxable Amount:</b>	250,000	
<b>Tot Lobbying Grassroot Minus Non Tx:</b>	0	
<b>Tot Lobby Expend Mns Lobbying Non Tx:</b>	0	
<b>Share Of Excess Lobbying:</b>	0	

<b>Affiliated Group Business Name:</b>		KVC HOSPITALS INC
<b>Address. Either US or Foreign Type:</b>		21350 W 153RD STREET OLATHE, KS 66061
<b>EIN:</b>		27-1672159
<b>Electing Organization Checkbox:</b>		<input checked="" type="checkbox"/>
<b>Total Grassroots Lobbying:</b>	0	
<b>Total Direct Lobbying:</b>	0	
<b>Total Lobbying Expenditures:</b>	0	
<b>Other Exempt Purpose Expenditures:</b>	16,144,383	
<b>Total Exempt Purpose Expenditures:</b>	16,144,383	
<b>Lobbying Nontaxable Amount:</b>	957,219	
<b>Grassroots Nontaxable Amount:</b>	239,305	
<b>Tot Lobbying Grassroot Minus Non Tx:</b>	0	
<b>Tot Lobby Expend Mns Lobbying Non Tx:</b>	0	
<b>Share Of Excess Lobbying:</b>	0	



<b>Affiliated Group Business Name:</b>		KVC REAL ESTATE HOLDINGS IN
<b>Address. Either US or Foreign Type:</b>		21350 W 153RD STREET OLATHE, KS 66061
<b>EIN:</b>		26-2516519
<b>Electing Organization Checkbox:</b>		<input checked="" type="checkbox"/>
<b>Total Grassroots Lobbying:</b>	0	
<b>Total Direct Lobbying:</b>	0	
<b>Total Lobbying Expenditures:</b>	0	
<b>Other Exempt Purpose Expenditures:</b>	425,909	
<b>Total Exempt Purpose Expenditures:</b>	425,909	
<b>Lobbying Nontaxable Amount:</b>	85,182	
<b>Grassroots Nontaxable Amount:</b>	21,296	
<b>Tot Lobbying Grassroot Minus Non Tx:</b>	0	
<b>Tot Lobby Expend Mns Lobbying Non Tx:</b>	0	
<b>Share Of Excess Lobbying:</b>	0	

<b>Affiliated Group Business Name:</b>		KVC FOUNDATION INC
<b>Address. Either US or Foreign Type:</b>		21350 W 153RD STREET OLATHE, KS 66061
<b>EIN:</b>		26-2516476
<b>Electing Organization Checkbox:</b>		<input checked="" type="checkbox"/>
<b>Total Grassroots Lobbying:</b>	0	
<b>Total Direct Lobbying:</b>	0	
<b>Total Lobbying Expenditures:</b>	0	
<b>Other Exempt Purpose Expenditures:</b>	3,000	
<b>Total Exempt Purpose Expenditures:</b>	3,000	
<b>Lobbying Nontaxable Amount:</b>	600	
<b>Grassroots Nontaxable Amount:</b>	150	
<b>Tot Lobbying Grassroot Minus Non Tx:</b>	0	
<b>Tot Lobby Expend Mns Lobbying Non Tx:</b>	0	
<b>Share Of Excess Lobbying:</b>	0	

# **KVC Health Systems, Inc.**

Accountants' Report and Consolidated Financial Statements  
(Including Reports Required Under OMB A-133)

June 30, 2012 and 2011



# KVC Health Systems, Inc.

## June 30, 2012 and 2011

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# KVC Health Systems, Inc.

June 30, 2012 and 2011

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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, 2012 and 2011, 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. Our 2012 audit was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplementary Information, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual entities. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**BKD, LLP**

Kansas City, Missouri  
December 6, 2012

**KVC Health Systems, Inc.**  
**Consolidated Statements of Financial Position**  
**June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,956,458	\$ 5,512,778
Accounts receivable, net of allowance, 2012 - \$940,000, 2011 - \$688,000	9,803,661	7,859,696
Grants receivable	314,883	131,187
Prepaid expenses	821,436	1,501,729
Total current assets	<u>14,896,438</u>	<u>15,005,390</u>
<b>Property and Equipment, net</b>	<u>10,914,417</u>	<u>14,620,746</u>
<b>Other Assets</b>		
Goodwill	545,000	661,406
Deposits and other assets	510,857	323,322
	<u>1,055,857</u>	<u>984,728</u>
Total assets	<u><u>\$ 26,866,712</u></u>	<u><u>\$ 30,610,864</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 184,940	\$ 1,331,031
Accounts payable	2,608,491	4,570,893
Accrued salaries	1,469,226	3,727,873
Accrued compensated absences	804,982	1,227,823
Other accrued expenses	1,223,720	1,952,244
Deferred revenue	119,320	8,112,653
Total current liabilities	<u>6,410,679</u>	<u>20,922,517</u>
<b>Long-term Debt</b>		
Capital lease obligations	21,922	206,862
	<u>21,922</u>	<u>206,862</u>
Total liabilities	<u>6,432,601</u>	<u>21,129,379</u>
<b>Net Assets</b>		
Unrestricted	20,434,111	9,481,485
Total net assets	<u>20,434,111</u>	<u>9,481,485</u>
Total liabilities and net assets	<u><u>\$ 26,866,712</u></u>	<u><u>\$ 30,610,864</u></u>

**KVC Health Systems, Inc.**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Unrestricted Revenues, Gains and Other Support</b>		
Contract family preservation, reintegration and adoption	\$ 83,165,551	\$ 86,047,436
Child placing services	13,834,618	10,970,354
Inpatient services	14,465,541	13,632,818
Outpatient services	8,138,327	9,565,343
Contributions and grants	3,162,069	3,417,587
Interest income	13,056	13,193
Gain on disposition of assets	34,253	1,177,773
Miscellaneous	666,513	502,076
	<u>123,479,928</u>	<u>125,326,580</u>
Total unrestricted revenues, gains and other support		
	<u>123,479,928</u>	<u>125,326,580</u>
<b>Operating Expenses</b>		
Client care	99,929,526	117,243,196
Administrative and general	12,367,054	13,010,862
Fund raising	230,722	206,844
	<u>112,527,302</u>	<u>130,460,902</u>
Total operating expenses		
	<u>112,527,302</u>	<u>130,460,902</u>
<b>Change in Unrestricted Net Assets</b>	10,952,626	(5,134,322)
<b>Change in Temporarily Restricted Net Assets</b>	<u>-</u>	<u>(3,000)</u>
<b>Change in Net Assets</b>	10,952,626	(5,137,322)
<b>Net Assets, Beginning of Year</b>	<u>9,481,485</u>	<u>14,618,807</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 20,434,111</u></u>	<u><u>\$ 9,481,485</u></u>

**KVC Health Systems, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Change in net assets	\$ 10,952,626	\$ (5,137,322)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	1,675,990	1,662,208
Gain on disposition of assets	(34,253)	(1,177,773)
Goodwill impairment loss	116,406	288,194
Changes in		
Accounts receivable	(1,943,965)	(184,714)
Grants receivable	(183,696)	32,172
Prepaid expenses	680,293	(953,528)
Other assets	(187,535)	(95,394)
Accounts payable	(1,962,402)	1,560,275
Accrued salaries	(2,258,647)	1,442,652
Accrued compensated absences	(422,841)	272,330
Other accrued expenses	(728,524)	(1,562,579)
Deferred revenue	(7,993,333)	8,061,514
Net cash provided by (used in) operating activities	<u>(2,289,881)</u>	<u>4,208,035</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(811,108)	(4,155,848)
Proceeds from disposition of property and equipment	<u>2,875,700</u>	<u>3,272,504</u>
Net cash provided by (used in) investing activities	<u>2,064,592</u>	<u>(883,344)</u>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	-	1,113,835
Principal payments on long-term debt	<u>(1,331,031)</u>	<u>(1,190,786)</u>
Net cash used in financing activities	<u>(1,331,031)</u>	<u>(76,951)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(1,556,320)	3,247,740
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,512,778</u>	<u>2,265,038</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,956,458</u></u>	<u><u>\$ 5,512,778</u></u>
<b>Supplemental Cash Flows Information</b>		
Capital lease obligations incurred for property and equipment	\$ -	\$ 15,992



**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**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. As further discussed in *Note 3*, two contracts representing a substantial portion of 2012 and 2011 revenues were terminated on June 30, 2012.

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, 2012 and 2011**

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, 2012 and 2011, cash equivalents consisted primarily of money market accounts with banks.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2012, the Organization's cash accounts exceeded federally insured limits by approximately \$1,929,000.

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.

***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, 2012 and 2011**

***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, 2012 and 2011**

**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 for additional years. The current contract extension is through June 30, 2013.

Revenues for the contract amounted to \$30,608,130 and \$29,220,926, which represents 25% and 23% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2012 and 2011, respectively. Accounts receivable related to the foster care reintegration contract amounted to \$2,611,742 and \$2,495,234 at June 30, 2012 and 2011, respectively.

**Note 3: 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' original terms were November 1, 2009 through June 30, 2014. Both contracts were terminated as of June 30, 2012 in accordance with the termination clauses of the contracts.

Revenues for the contracts amounted to \$52,557,421 and \$56,826,510, which represents 43% and 45% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2012 and 2011, respectively. Accounts receivable related to the foster care reintegration contracts amounted to \$145,132 and \$54,559 at June 30, 2012 and 2011, respectively.

**Note 4: 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, 2012 and 2011, fees from Medicaid totaled \$10,783,766 and \$11,484,587, respectively, which represents 9% of the Organization's total unrestricted revenue, gains and other support for both years. At June 30, 2012 and 2011, \$1,169,398 and \$1,708,113, respectively, due from Medicaid is included in accounts receivable.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Property and Equipment**

Property and equipment at June 30 consists of

	<b>2012</b>	<b>2011</b>
Land and land improvements	\$ 1,373,701	\$ 1,703,701
Buildings and leasehold improvements	12,898,704	15,094,877
Furniture and equipment	4,743,668	4,743,668
Works of art	95,142	95,142
Computer equipment	3,187,896	2,993,141
Vehicles	178,609	178,609
Construction in progress	188,729	-
	<u>22,666,449</u>	<u>24,809,138</u>
Less accumulated depreciation and amortization	<u>11,752,032</u>	<u>10,188,392</u>
	<u><u>\$ 10,914,417</u></u>	<u><u>\$ 14,620,746</u></u>

**Note 6: Line of Credit**

The Organization has a \$5,000,000 revolving bank line of credit expiring in April 2013. At June 30, 2012 and 2011, there were no borrowings against this line. The line is collateralized by property and equipment. Interest was 4.25% on June 30, 2012 and is payable monthly.

**Note 7: Long-term Debt**

	<b>2012</b>	<b>2011</b>
Note payable, bank (A)	\$ -	\$ 1,113,835
Capital lease obligations (B)	206,862	424,058
	<u>206,862</u>	<u>1,537,893</u>
Less current maturities	<u>184,940</u>	<u>1,331,031</u>
Noncurrent portion	<u><u>\$ 21,922</u></u>	<u><u>\$ 206,862</u></u>

(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. The note was paid off during 2012.

(B) 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, 2012 and 2011**

Payments on capital lease obligations at June 30, 2012, are

2013	\$ 200,508
2014	<u>25,780</u>
	226,288
Less amount representing interest	<u>19,426</u>
Present value of future minimum lease payments	<u><u>\$ 206,862</u></u>

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

	<u>2012</u>	<u>2011</u>
Equipment	\$ 798,660	\$ 800,870
Less accumulated depreciation	<u>608,235</u>	<u>387,194</u>
	<u><u>\$ 190,425</u></u>	<u><u>\$ 413,676</u></u>

**Note 8: 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, 2012 and 2011 were approximately \$451,000 and \$115,000, respectively.

**Note 9: Operating Leases**

Noncancellable operating leases for office space expire in various years through 2019. 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, 2012 and 2011 was \$2,733,403 and \$2,635,737, respectively.

Noncancellable operating leases for equipment expire in various years through 2016. Total rental expense for equipment leases for the years ended June 30, 2012 and 2011 was \$350,457 and \$226,482, respectively.

**KVC Health Systems, Inc.**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

Future minimum lease payments at June 30, 2012, were

	<b>Equipment</b>	<b>Property</b>	<b>Total</b>
2013	\$ 300,130	\$ 1,683,540	\$ 1,983,670
2014	215,023	1,048,147	1,263,170
2015	92,860	243,697	336,557
2016	24,772	118,250	143,022
2017	-	118,250	118,250
Thereafter	-	167,521	167,521
	<u>\$ 632,785</u>	<u>\$ 3,379,405</u>	<u>\$ 4,012,190</u>

**Note 10: 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.

**Note 11: Subsequent Event**

On July 1, 2012, the Organization was awarded a Family Preservation Reunification Services (FPP) and Diversion Services contract from a state agency to provide services to the Big Sandy, Bluegrass Rural, Fayette, FIVCO, Gateway/Buffalo Trace, KIPDA Rural, KY River, and Northern Bluegrass areas of the State of Kentucky. The contract is for a term of two years, with an option to extend for additional years. The contract totals approximately \$8,600,000 per year for the initial two year term.

**Note 12: Litigation**

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

## **Supplementary Information**



# KVC Health Systems, Inc.

## Consolidating Schedule of Financial Position

### June 30, 2012

	KVC Health Systems, Inc	KVC Behavioral HealthCare, Inc	KVC Behavioral Healthcare West Virginia, Inc	KVC Behavioral Healthcare Kentucky, Inc	KVC Behavioral Healthcare Nebraska, Inc	KVC Hospitals, Inc	KVC Foundation, Inc	KVC Real Estate Holdings, Inc	Eliminations	Consolidated
<b>Current Assets</b>										
Cash and cash equivalents	\$ 1 772 873	\$ 92 759	\$ 96 753	\$ 389 777	\$ 339 070	\$ 72 307	\$ 45 187	\$ 1 147 732		\$ 3 956 458
Accounts receivable, net of allowance of \$940 000	-	3 284 513	578 036	1 072 619	1 599 440	3 269 053	-	-		9 803 661
Grants receivable	81 172	143 432	-	-	-	90 279	-	-		314 883
Prepaid expenses	104 538	177 124	70 653	63 866	303 408	94 292	-	7 555		821 436
Total current assets	1 958 583	3 697 828	745 442	1 526 262	2 241 918	3 525 931	45 187	1 155 287		14 896 438
<b>Property and Equipment, net</b>	853 259	379 399	92 941	10 885	629 460	1 179 285	-	7 769 188		10 914 417
<b>Other Assets</b>										
Goodwill	-	-	-	545 000	-	-	-	-		545 000
Deposits and other assets	255 910	96 758	19 683	5 850	126 756	5 900	-	-		510 857
Total assets	3 067 752	4 173 985	858 066	2 087 997	2 998 134	4 711 116	45 187	8 924 475	-	26 866 712

# KVC Health Systems, Inc.

## Consolidating Schedule of Financial Position (Continued)

### June 30, 2012

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral HealthCare West Virginia, Inc.	KVC Behavioral HealthCare Kentucky, Inc.	KVC Behavioral HealthCare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Real Estate Holdings, Inc.	Eliminations	Consolidated
<b>Current Liabilities</b>										
Current maturities of long-term debt	\$ 13,116	\$ 65,434	\$ 31,207	\$ -	\$ 29,744	\$ 45,439	\$ -	\$ -	\$ -	\$ 184,940
Accounts payable	192,649	1,066,199	548,824	63,327	388,505	346,885	2,102	-	-	2,608,491
Accrued salaries	220,420	411,454	77,161	358,583	1,07,057	294,551	-	-	-	1,469,226
Accrued compensated absences	184,743	288,231	51,164	78,995	70,887	130,962	-	-	-	804,982
Other accrued expenses	168,324	282,807	95,250	372,855	182,821	121,663	-	-	-	1,223,720
Deferred revenue	-	-	-	10,000	8,333	100,987	-	-	-	119,320
Total current liabilities	779,252	2,114,125	803,606	883,760	787,347	1,040,487	2,102	-	-	6,410,679
<b>Long-term Debt</b>										
Capital lease obligations	-	-	21,922	-	-	-	-	-	-	21,922
	-	-	21,922	-	-	-	-	-	-	21,922
Total liabilities	779,252	2,114,125	825,528	883,760	787,347	1,040,487	2,102	-	-	6,432,601
<b>Net Assets</b>										
Unrestricted	2,288,500	2,059,860	32,538	1,204,237	2,210,787	3,670,629	43,085	8,924,475	-	20,434,111
Total net assets	2,288,500	2,059,860	32,538	1,204,237	2,210,787	3,670,629	43,085	8,924,475	-	20,434,111
Total liabilities and net assets	\$ 3,067,752	\$ 4,173,985	\$ 858,066	\$ 2,087,997	\$ 2,998,134	\$ 4,711,116	\$ 45,187	\$ 8,924,475	\$ -	\$ 26,866,712

# KVC Health Systems, Inc.

## Consolidating Schedule of Activities

### Year Ended June 30, 2012

	KVC Health Systems, Inc	KVC HealthCare, Inc	KVC Behavioral Healthcare West Virginia, Inc	KVC Behavioral Healthcare Kentucky, Inc	KVC Behavioral Healthcare Nebraska, Inc	KVC Hospitals, Inc	KVC Foundation, Inc	KVC Real Estate Holdings, Inc	Eliminations	Consolidated
<b>Unrestricted Revenues, Gains and Other Support</b>										
Contract family preservation reintegration and adoption	\$ -	\$ 30,608,130	\$ -	\$ -	\$ 52,557,421	\$ -	\$ -	\$ -	\$ -	\$ 83,165,551
Child placing services	-	3,085,747	5,837,712	367,016	4,544,143	-	-	-	-	13,834,618
Inpatient services	-	-	-	-	-	14,465,541	-	-	-	14,465,541
Outpatient services	-	1,297,878	2,460,240	4,146,438	-	233,771	-	-	-	8,138,327
Contributions and grants	619,204	737,566	124,463	472,396	51,269	857,826	79,345	220,000	-	3,162,069
Interest income	5,481	1,698	-	522	1,654	1,393	95	2,213	-	13,056
Gain (loss) on disposition of assets	-	-	-	-	(124,178)	-	-	158,431	-	34,253
Miscellaneous	166,403	61,819	13,670	16,510	351,936	54,074	-	2,101	-	666,513
Management fee	7,687,000	480,000	-	409,500	-	665,652	-	-	(8,576,500)	-
Intercompany services	-	-	-	-	-	-	-	-	(665,652)	-
Intercompany rent	-	-	-	-	-	-	-	1,373,200	(1,373,200)	-
Total unrestricted revenues, gains and other support	8,478,088	36,272,838	8,436,085	5,412,382	57,382,245	16,278,257	79,440	1,755,945	(10,615,352)	123,479,928
<b>Operating Expenses</b>										
Client care	-	27,199,683	8,538,564	5,046,673	46,386,367	14,191,691	-	-	(1,433,452)	99,929,526
Administrative and general	8,344,460	4,130,999	1,496,362	479,060	4,496,472	1,952,692	-	645,909	(9,178,900)	12,367,054
Fund raising	179,986	-	-	-	2,285	-	51,451	-	(3,000)	230,722
Total operating expenses	8,524,446	31,330,682	10,034,926	5,525,733	50,885,124	16,144,383	51,451	645,909	(10,615,352)	112,527,302
<b>Operating Income (Loss)</b>	(46,358)	4,942,156	(1,598,841)	(113,351)	6,497,121	133,874	27,989	1,110,036	-	10,952,626
<b>Other Income (Expense)</b>										
Intercompany transfers	(1,998,344)	(4,730,990)	996,638	467,279	7,115,710	64,101	5,642	(1,920,036)	-	-
<b>Change in Unrestricted Net Assets</b>	(2,044,702)	211,166	(602,203)	353,928	13,612,831	197,975	33,631	(810,000)	-	10,952,626
<b>Net Assets (Deficit), Beginning of Year</b>	4,333,202	1,848,694	634,741	850,309	(11,402,044)	3,472,654	9,454	9,734,475	-	9,481,485
<b>Net Assets, End of Year</b>	\$ 2,288,500	\$ 2,059,860	\$ 32,538	\$ 1,204,237	\$ 2,210,787	\$ 3,670,629	\$ 43,085	\$ 8,924,475	\$ -	\$ 20,434,111

# KVC Health Systems, Inc.

## Consolidating Schedule of Financial Position

### June 30, 2011

	KVC Health Systems, Inc	KVC Behavioral HealthCare, Inc	KVC Behavioral Healthcare West Virginia, Inc	KVC Behavioral Healthcare Kentucky, Inc	KVC Behavioral Healthcare Nebraska, Inc	KVC Hospitals, Inc	KVC Foundation, Inc	KVC Real Estate Holdings, Inc	Eliminations	Consolidated
<b>Current Assets</b>										
Cash and cash equivalents	\$ 4 119 694	\$ 304 506	\$ 1 40 526	\$ 3 40 791	\$ 111 453	\$ 395 821	\$ 9 454	\$ 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	9 454	97 400		15 005 390
<b>Property and Equipment, net</b>	721 916	452 327	139 038	14 481	1 381 323	1 156 049	-	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
	112 327	56 206	133 589	550 850	126 756	5 000	-	-		984 728
Total assets	\$ 5 112 704	\$ 4 141 497	\$ 1 745 180	\$ 1 335 535	\$ 2 531 791	\$ 4 881 691	\$ 9 454	\$ 10 853 012	\$ -	\$ 30 610 864

# KVC Health Systems, Inc.

## Consolidating Schedule of Financial Position (Continued)

### June 30, 2011

	KVC Health Systems, Inc	KVC Behavioral HealthCare, Inc	KVC Behavioral Healthcare West Virginia, Inc	KVC Behavioral Healthcare Kentucky, Inc	KVC Behavioral Healthcare Nebraska, Inc	KVC Hospitals, Inc	KVC Foundation, Inc	KVC Real Estate Holdings, Inc	Eliminations	Consolidated
<b>Current Liabilities</b>										
Current maturities of long-term debt	\$ 16 640	\$ 83 880	\$ 27 002	\$ -	\$ 36 205	\$ 53 469	\$ -	\$ 1 113 835		\$ 1 331 031
Accounts payable	130 878	978 112	262 435	45 999	2 841 037	309 262	-	3 170		4 570 893
Accrued salaries	353 570	667 245	323 774	324 683	1 476 675	581 926	-	-		3 727 873
Accrued compensated absences	152 440	253 350	133 494	82 245	429 385	176 909	-	-		1 227 823
Other accrued expenses	112 858	244 782	310 605	20 966	1 095 066	166 435	-	1 532		1 952 244
Deferred revenue	-	-	-	11 333	8 025 723	75 597	-	-		8 112 653
Total current liabilities	766 386	2 227 369	1 057 310	485 226	13 904 091	1 363 598	-	1 118 537		20 922 517
<b>Long-term Debt</b>										
Capital lease obligations	13 116	65 434	53 129	-	29 744	45 439	-	-		206 862
	13 116	65 434	53 129	-	29 744	45 439	-	-		206 862
Total liabilities	779 502	2 292 803	1 110 439	485 226	13 933 835	1 409 037	-	1 118 537		21 129 379
<b>Net Assets (Deficit)</b>										
Unrestricted	4 333 202	1 848 694	634 741	850 309	(11 402 044)	3 472 654	9 454	9 734 475		9 481 485
Total net assets (deficit)	4 333 202	1 848 694	634 741	850 309	(11 402 044)	3 472 654	9 454	9 734 475		9 481 485
Total liabilities and net assets	\$ 5 112 704	\$ 4 141 497	\$ 1 745 180	\$ 1 335 535	\$ 2 531 791	\$ 4 881 691	\$ 9 454	\$ 10 853 012	\$ -	\$ 30 610 864

# 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 Virginia, Inc.	KVC Behavioral HealthCare Kentucky, Inc.	KVC Behavioral HealthCare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Real Estate Holdings, Inc.	Eliminations	Consolidated
<b>Unrestricted Revenues, Gains and Other Support</b>										
Contract family preservation reintegration and adoption	\$ -	\$ 29,220,926	\$ -	\$ -	\$ 56,826,510	\$ -	\$ -	\$ -	\$ -	\$ 86,047,436
Child placing services	-	4,215,138	5,459,734	46,483	1,248,999	-	-	-	-	10,970,354
Inpatient services	-	-	-	-	-	13,632,818	-	-	-	13,632,818
Outpatient services	-	67,054	5,407,262	2,995,609	-	1,095,418	-	-	-	9,565,343
Contributions and grants	451,802	285,171	80,888	493,441	21,479	396,605	38,201	1,650,000	-	3,417,887
Interest income	3,757	2,929	-	618	3,408	1,387	19	1,075	-	13,193
Gain on disposition of assets	-	-	-	-	-	-	-	1,177,773	-	1,177,773
Miscellaneous	266,070	112,536	101,731	9,452	6,212	51,000	-	5,955	120	502,076
Management fee	7,668,000	647,700	-	55,800	10,725	818,765	-	-	(8,433,225)	-
Intercompany services	-	-	-	-	-	-	-	-	(818,765)	-
Intercompany rent	-	-	-	-	-	-	-	1,393,200	(1,393,200)	-
Total unrestricted revenues gains and other support	8,389,629	34,551,454	11,049,615	3,601,403	58,117,333	15,995,993	38,220	4,228,003	(10,645,070)	125,326,580
<b>Operating Expenses</b>										
Client care	-	24,469,398	9,214,369	4,032,034	64,997,076	16,173,364	-	-	(1,643,045)	117,243,196
Administrative and general	8,208,485	3,623,920	1,305,532	747,509	5,916,983	1,640,303	-	567,155	(8,999,025)	13,010,862
Fund raising	181,682	-	-	-	4,264	-	23,898	-	(3,000)	206,844
Total operating expenses	8,390,167	28,093,318	10,519,901	4,779,543	70,918,323	17,813,667	23,898	567,155	(10,645,070)	130,460,902
<b>Operating Income (Loss)</b>	(538)	6,458,136	529,714	(1,178,140)	(12,800,990)	(1,817,674)	14,322	3,660,848	-	(5,134,322)
<b>Other Income (Expense)</b>										
Intercompany transfers	4,129,604	(7,987,704)	(543,695)	704,071	3,640,949	3,574,055	(7,221)	(3,510,059)	-	-
<b>Change in Unrestricted Net Assets</b>	4,129,066	(1,529,568)	(13,981)	(474,069)	(9,160,041)	1,756,381	7,101	150,789	-	(5,134,322)
<b>Change in Temporarily Restricted Net Assets</b>	-	(3,000)	-	-	-	-	-	-	-	(3,000)
<b>Change in Net Assets</b>	4,129,066	(1,532,568)	(13,981)	(474,069)	(9,160,041)	1,756,381	7,101	150,789	-	(5,137,322)
<b>Net Assets (Deficit), Beginning of Year</b>	204,136	3,381,262	648,722	1,324,378	(2,242,003)	1,716,273	2,353	9,583,686	-	14,618,807
<b>Net Assets (Deficit), End of Year</b>	\$ 4,333,202	\$ 1,848,694	\$ 634,741	\$ 850,309	\$ (11,402,044)	\$ 3,472,654	\$ 9,454	\$ 9,734,475	\$ -	\$ 9,481,485

**KVC Health Systems, Inc.**  
**Consolidated Functional Expenses**  
**Year Ended June 30, 2012**  
**(with Comparative Totals for 2011)**

	Client Care	Administrative and General	Fund Raising	Total Expenses	2011 Total Expenses
Salaries and wages	\$ 35,208,491	\$ 5,528,476	\$ 97,364	\$ 40,834,331	\$ 46,507,973
Payroll taxes	3,302,198	481,420	8,588	3,792,206	4,002,735
Employee benefits	4,160,922	607,257	17,609	4,785,788	5,137,365
Total salaries, wages and related expenses	42,671,611	6,617,153	123,561	49,412,325	55,648,073
Office supplies and printing	252,362	93,988	2,436	348,786	463,168
Copier and fax expense	190,538	54,662	-	245,200	231,456
Postage	88,664	53,957	554	143,175	113,539
Employee recruitment and advertising	115,981	108,610	-	224,591	262,218
Licenses and dues	132,559	110,582	1,500	244,641	247,109
Insurance	-	647,115	-	647,115	606,405
Travel	3,349,274	126,879	-	3,476,153	4,010,913
Telephone	1,138,434	248,380	-	1,386,814	1,536,548
Professional fees	279,130	483,594	-	762,724	737,376
Contract labor	615,741	133,389	17,381	766,511	514,153
Contract psychiatrist	1,670,717	-	-	1,670,717	1,543,452
Consulting and other contractual expenses	5,765,560	446,373	-	6,211,933	10,554,948
Staff development	165,993	183,351	-	349,344	420,945
Promotion	29,259	36,626	6,384	72,269	91,767
Office rent	3,448,332	878,271	6,556	4,333,159	4,028,937
Equipment expenses	240,038	270,348	-	510,386	255,547
Maintenance and repairs	213,102	74,618	-	287,720	396,314
Safety services and materials	90,400	23,764	-	114,164	102,375
Food	462,632	6,891	-	469,523	549,496
Food – outings	141,771	51,238	23,114	216,123	153,349
Housekeeping supplies	45,745	6,030	-	51,775	83,080
Miscellaneous housekeeping	357,016	116,449	-	473,465	528,959
Utilities	278,382	129,085	-	407,467	446,541
Payments to foster parents	18,019,617	-	-	18,019,617	16,553,484
Subcontractor – foster home payments	6,962,761	-	-	6,962,761	12,520,065
Foster family training	284,819	117,622	-	402,441	351,055
Subcontractor payments	8,739,076	-	-	8,739,076	12,035,711
Child care payments	1,139,784	-	-	1,139,784	980,081
Incidentals	(1,412)	-	-	(1,412)	1,366
Medical supplies	626,919	-	-	626,919	603,005
Vehicle expenses and repairs	286,246	16,182	-	302,428	219,070
Vehicle rental	683,325	18,181	-	701,506	921,261
General program supplies	135,160	14,507	-	149,667	140,889
Clothing	460,346	-	-	460,346	532,136
Miscellaneous	112,513	26,812	49,236	188,561	131,446
Interest	306	46,451	-	46,757	148,205
Bad debts	-	867,447	-	867,447	485,236
Property tax expense	7,294	4,924	-	12,218	41,310
Cost of in-kind donated goods	180	175,495	-	175,675	126,072
Medicaid assessments	46,283	-	-	46,283	101,924
Flex fund	400,779	-	-	400,779	447,198
Kids activity fund	41,173	-	-	41,173	37,518
Loss on impairment of assets	-	116,406	-	116,406	288,194
Expenses before depreciation, amortization and intercompany fees	99,688,410	12,305,380	230,722	112,224,512	130,191,894
Depreciation and amortization	1,008,916	667,074	-	1,675,990	1,662,208
Intercompany management and residential fees	665,652	8,573,500	3,000	9,242,152	9,251,870
Eliminations	(1,433,452)	(9,178,900)	(3,000)	(10,615,352)	(10,645,070)
Totals, Year Ended June 30, 2012	\$ 99,929,526	\$ 12,367,054	\$ 230,722	\$ 112,527,302	\$ 130,460,902
Totals, Year Ended June 30, 2011	\$ 117,243,196	\$ 13,010,862	\$ 206,844	\$ 130,460,902	\$ 130,460,902

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Health Systems, Inc.**  
**Year Ended June 30, 2012**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ -	\$ 4,137,313	\$ 97,364	\$ 4,234,677
Payroll taxes	-	347,101	8,588	355,689
Employee benefits	-	417,264	17,609	434,873
Total salaries, wages and related expenses	-	4,901,678	123,561	5,025,239
Office supplies and printing	-	71,212	2,436	73,648
Copier and fax expense	-	36,305	-	36,305
Postage	-	28,719	-	28,719
Employee recruitment and advertising	-	106,995	-	106,995
Licenses and dues	-	94,466	-	94,466
Insurance	-	53,167	-	53,167
Travel	-	86,747	-	86,747
Telephone	-	179,365	-	179,365
Professional fees	-	469,651	-	469,651
Contract labor	-	133,389	17,381	150,770
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	-	368,762	-	368,762
Staff development	-	162,321	-	162,321
Promotion	-	20,653	6,384	27,037
Office rent	-	571,025	6,556	577,581
Equipment expenses	-	253,470	-	253,470
Maintenance and repairs	-	70,291	-	70,291
Safety services and materials	-	12,097	-	12,097
Food	-	67	-	67
Food – outings	-	36,685	23,114	59,799
Housekeeping supplies	-	5,884	-	5,884
Miscellaneous housekeeping	-	114,574	-	114,574
Utilities	-	126,531	-	126,531
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	113,759	-	113,759
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	7,326	-	7,326
Vehicle rental	-	17,606	-	17,606
General program supplies	-	13,717	-	13,717
Clothing	-	-	-	-
Miscellaneous	-	8,821	554	9,375
Interest	-	1,998	-	1,998
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	-	8,067,281	179,986	8,247,267
Depreciation and amortization	-	277,179	-	277,179
Intercompany management and residential fees	-	-	-	-
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ -	\$ 8,344,460	\$ 179,986	\$ 8,524,446



**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral HealthCare, Inc.**  
**Year Ended June 30, 2012**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 9,288,364	\$ 589,896	\$ -	\$ 9,878,260
Payroll taxes	843,275	56,650	-	899,925
Employee benefits	1,249,177	75,033	-	1,324,210
Total salaries, wages and related expenses	11,380,816	721,579	-	12,102,395
Office supplies and printing	92,311	3,767	-	96,078
Copier and fax expense	69,224	2,694	-	71,918
Postage	40,709	4,287	-	44,996
Employee recruitment and advertising	6,171	-	-	6,171
Licenses and dues	35,119	10	-	35,129
Insurance	-	147,942	-	147,942
Travel	797,209	1,932	-	799,141
Telephone	295,301	9,051	-	304,352
Professional fees	12,684	-	-	12,684
Contract labor	828	-	-	828
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	593,774	-	-	593,774
Staff development	20,906	25	-	20,931
Promotion	21,354	-	-	21,354
Office rent	802,432	39,000	-	841,432
Equipment expenses	47,182	-	-	47,182
Maintenance and repairs	40,497	-	-	40,497
Safety services and materials	26,751	-	-	26,751
Food	14,092	-	-	14,092
Food – outings	50,837	2,092	-	52,929
Housekeeping supplies	13,784	109	-	13,893
Miscellaneous housekeeping	53,428	-	-	53,428
Utilities	95,364	-	-	95,364
Payments to foster parents	7,466,539	-	-	7,466,539
Subcontractor – foster home payments	1,962,197	-	-	1,962,197
Foster family training	108,073	-	-	108,073
Subcontractor payments	793,070	-	-	793,070
Child care payments	1,138,128	-	-	1,138,128
Incidentals	(1,412)	-	-	(1,412)
Medical supplies	16,890	-	-	16,890
Vehicle expenses and repairs	192,556	-	-	192,556
Vehicle rental	273,512	-	-	273,512
General program supplies	46,888	-	-	46,888
Clothing	323,775	-	-	323,775
Miscellaneous	6,489	4,286	-	10,775
Interest	306	5,977	-	6,283
Bad debts	-	-	-	-
Property tax expense	225	-	-	225
Cost of in-kind donated goods	-	129,089	-	129,089
Medicaid assessments	-	-	-	-
Flex fund	150,166	-	-	150,166
Kids activity fund	40,050	-	-	40,050
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	27,028,225	1,071,840	-	28,100,065
Depreciation and amortization	150,398	17,159	-	167,557
Intercompany management and residential fees	21,060	3,042,000	-	3,063,060
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ 27,199,683	\$ 4,130,999	\$ -	\$ 31,330,682

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral Healthcare West Virginia, Inc.**  
**Year Ended June 30, 2012**

	<b>Client Care</b>	<b>Administrative and General</b>	<b>Fund Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 3,257,588	\$ 261,171	\$ -	\$ 3,518,759
Payroll taxes	429,902	28,708	-	458,610
Employee benefits	383,277	34,731	-	418,008
Total salaries, wages and related expenses	4,070,767	324,610	-	4,395,377
Office supplies and printing	28,123	15,141	-	43,264
Copier and fax expense	28,982	9,418	-	38,400
Postage	4,146	5,924	-	10,070
Employee recruitment and advertising	16,587	1,369	-	17,956
Licenses and dues	30,650	5,950	-	36,600
Insurance	-	68,678	-	68,678
Travel	389,231	4,689	-	393,920
Telephone	94,953	29,144	-	124,097
Professional fees	-	9,119	-	9,119
Contract labor	-	-	-	-
Contract psychiatrist	135,325	-	-	135,325
Consulting and other contractual expenses	19,554	72,119	-	91,673
Staff development	31,748	16,248	-	47,996
Promotion	431	3,747	-	4,178
Office rent	396,836	21,239	-	418,075
Equipment expenses	36,677	11,702	-	48,379
Maintenance and repairs	3,724	1,778	-	5,502
Safety services and materials	10,846	9,283	-	20,129
Food	14,656	6,453	-	21,109
Food – outings	-	-	-	-
Housekeeping supplies	1,920	37	-	1,957
Miscellaneous housekeeping	42,362	81	-	42,443
Utilities	32,706	197	-	32,903
Payments to foster parents	2,979,686	-	-	2,979,686
Subcontractor – foster home payments	-	-	-	-
Foster family training	62,273	3,863	-	66,136
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	4,482	3,336	-	7,818
Vehicle rental	567	-	-	567
General program supplies	5,011	62	-	5,073
Clothing	40,950	-	-	40,950
Miscellaneous	16,662	11,744	-	28,406
Interest	-	15,465	-	15,465
Bad debts	-	141,256	-	141,256
Property tax expense	7,069	4,101	-	11,170
Cost of in-kind donated goods	-	46,406	-	46,406
Medicaid assessments	31,640	-	-	31,640
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	116,406	-	116,406
Expenses before depreciation, amortization and intercompany fees	8,538,564	959,565	-	9,498,129
Depreciation and amortization	-	49,297	-	49,297
Intercompany management and residential fees	-	487,500	-	487,500
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ 8,538,564	\$ 1,496,362	\$ -	\$ 10,034,926

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral Healthcare Kentucky, Inc.**  
**Year Ended June 30, 2012**

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 3,591,043	\$ 257,337	\$ -	\$ 3,848,380
Payroll taxes	288,750	20,940	-	309,690
Employee benefits	444,337	38,022	-	482,359
Total salaries, wages and related expenses	4,324,130	316,299	-	4,640,429
Office supplies and printing	7,033	3,336	-	10,369
Copier and fax expense	992	6,404	-	7,396
Postage	3,582	2,860	-	6,442
Employee recruitment and advertising	-	246	-	246
Licenses and dues	19,881	1,347	-	21,228
Insurance	-	44,611	-	44,611
Travel	129,124	1,915	-	131,039
Telephone	61,713	19,290	-	81,003
Professional fees	-	4,824	-	4,824
Contract labor	1,793	-	-	1,793
Contract psychiatrist	81,212	-	-	81,212
Consulting and other contractual expenses	8,287	3,692	-	11,979
Staff development	22,455	3,773	-	26,228
Promotion	1,448	-	-	1,448
Office rent	93,688	14,368	-	108,056
Equipment expenses	4,225	248	-	4,473
Maintenance and repairs	2,413	2,252	-	4,665
Safety services and materials	1,172	2,384	-	3,556
Food	-	-	-	-
Food – outings	18,207	10,013	-	28,220
Housekeeping supplies	70	-	-	70
Miscellaneous housekeeping	6,244	1,761	-	8,005
Utilities	6,488	2,322	-	8,810
Payments to foster parents	184,379	-	-	184,379
Subcontractor – foster home payments	-	-	-	-
Foster family training	4,021	-	-	4,021
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	10,343	2,210	-	12,553
Vehicle rental	16,062	44	-	16,106
General program supplies	13,124	-	-	13,124
Clothing	-	-	-	-
Miscellaneous	6,425	824	-	7,249
Interest	-	-	-	-
Bad debts	-	7,691	-	7,691
Property tax expense	-	750	-	750
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	18,162	-	-	18,162
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	5,046,673	453,464	-	5,500,137
Depreciation and amortization	-	3,596	-	3,596
Intercompany management and residential fees	-	22,000	-	22,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ 5,046,673	\$ 479,060	\$ -	\$ 5,525,733

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Behavioral Healthcare Nebraska, Inc.**  
**Year Ended June 30, 2012**

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 12,498,601	\$ 282,759	\$ -	\$ 12,781,360
Payroll taxes	1,142,592	28,021	-	1,170,613
Employee benefits	1,341,064	42,207	-	1,383,271
Total salaries, wages and related expenses	14,982,257	352,987	-	15,335,244
Office supplies and printing	77,085	532	-	77,617
Copier and fax expense	74,555	(159)	-	74,396
Postage	35,893	12,167	-	48,060
Employee recruitment and advertising	89,248	-	-	89,248
Licenses and dues	13,370	8,309	-	21,679
Insurance	-	212,161	-	212,161
Travel	1,975,306	31,596	-	2,006,902
Telephone	567,965	11,530	-	579,495
Professional fees	204,204	-	-	204,204
Contract labor	-	-	-	-
Contract psychiatrist	32,990	-	-	32,990
Consulting and other contractual expenses	4,216,918	500	-	4,217,418
Staff development	65,316	984	-	66,300
Promotion	1,212	12,226	-	13,438
Office rent	1,468,323	12,639	-	1,480,962
Equipment expenses	84,686	4,928	-	89,614
Maintenance and repairs	4,519	297	-	4,816
Safety services and materials	10,100	-	-	10,100
Food	8,734	371	-	9,105
Food – outings	42,961	2,448	-	45,409
Housekeeping supplies	1,226	-	-	1,226
Miscellaneous housekeeping	14,326	33	-	14,359
Utilities	21,636	-	-	21,636
Payments to foster parents	7,389,013	-	-	7,389,013
Subcontractor – foster home payments	5,000,564	-	-	5,000,564
Foster family training	110,452	-	-	110,452
Subcontractor payments	7,946,006	-	-	7,946,006
Child care payments	1,656	-	-	1,656
Incidentals	-	-	-	-
Medical supplies	74,026	-	-	74,026
Vehicle expenses and repairs	56,633	3,310	-	59,943
Vehicle rental	385,151	531	-	385,682
General program supplies	7,391	728	-	8,119
Clothing	71,974	-	-	71,974
Miscellaneous	76,188	315	2,285	78,788
Interest	-	3,539	-	3,539
Bad debts	-	97,500	-	97,500
Property tax expense	-	-	-	-
Cost of in-kind donated goods	180	-	-	180
Medicaid assessments	-	-	-	-
Flex fund	232,336	-	-	232,336
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	45,344,400	769,472	2,285	46,116,157
Depreciation and amortization	397,375	-	-	397,375
Intercompany management and residential fees	644,592	3,727,000	-	4,371,592
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ 46,386,367	\$ 4,496,472	\$ 2,285	\$ 50,885,124

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Hospitals, Inc.**  
**Year Ended June 30, 2012**

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 6,572,895	\$ -	\$ -	\$ 6,572,895
Payroll taxes	597,679	-	-	597,679
Employee benefits	743,067	-	-	743,067
Total salaries, wages and related expenses	7,913,641	-	-	7,913,641
Office supplies and printing	47,810	-	-	47,810
Copier and fax expense	16,785	-	-	16,785
Postage	4,334	-	-	4,334
Employee recruitment and advertising	3,975	-	-	3,975
Licenses and dues	33,539	-	-	33,539
Insurance	-	90,403	-	90,403
Travel	58,404	-	-	58,404
Telephone	118,502	-	-	118,502
Professional fees	62,242	-	-	62,242
Contract labor	613,120	-	-	613,120
Contract psychiatrist	1,421,190	-	-	1,421,190
Consulting and other contractual expenses	927,027	-	-	927,027
Staff development	25,568	-	-	25,568
Promotion	4,814	-	-	4,814
Office rent	687,053	-	-	687,053
Equipment expenses	67,268	-	-	67,268
Maintenance and repairs	161,949	-	-	161,949
Safety services and materials	41,531	-	-	41,531
Food	425,150	-	-	425,150
Food – outings	29,766	-	-	29,766
Housekeeping supplies	28,745	-	-	28,745
Miscellaneous housekeeping	240,656	-	-	240,656
Utilities	122,188	-	-	122,188
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	536,003	-	-	536,003
Vehicle expenses and repairs	22,232	-	-	22,232
Vehicle rental	8,033	-	-	8,033
General program supplies	62,746	-	-	62,746
Clothing	23,647	-	-	23,647
Miscellaneous	6,749	822	-	7,571
Interest	-	5,467	-	5,467
Bad debts	-	621,000	-	621,000
Property tax expense	-	-	-	-
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	14,643	-	-	14,643
Flex fund	115	-	-	115
Kids activity fund	1,123	-	-	1,123
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	13,730,548	717,692	-	14,448,240
Depreciation and amortization	461,143	-	-	461,143
Intercompany management and residential fees	-	1,235,000	-	1,235,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ 14,191,691	\$ 1,952,692	\$ -	\$ 16,144,383

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Foundation, Inc.**  
**Year Ended June 30, 2012**

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ -	\$ -	\$ -	\$ -
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Total salaries, wages and related expenses	-	-	-	-
Office supplies and printing	-	-	-	-
Copier and fax expense	-	-	-	-
Postage	-	-	554	554
Employee recruitment and advertising	-	-	-	-
Licenses and dues	-	-	1,500	1,500
Insurance	-	-	-	-
Travel	-	-	-	-
Telephone	-	-	-	-
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	-	-	-	-
Staff development	-	-	-	-
Promotion	-	-	-	-
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	-	-	46,397	46,397
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	-	-	48,451	48,451
Depreciation and amortization	-	-	-	-
Intercompany management and residential fees	-	-	3,000	3,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ -	\$ -	\$ 51,451	\$ 51,451

**KVC Health Systems, Inc.**  
**Functional Expenses – KVC Real Estate Holdings, Inc.**  
**Year Ended June 30, 2012**

	<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	-	-	-	-
Copier and fax expense	-	-	-	-
Postage	-	-	-	-
Employee recruitment and advertising	-	-	-	-
Licenses and dues	-	500	-	500
Insurance	-	30,153	-	30,153
Travel	-	-	-	-
Telephone	-	-	-	-
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract psychiatrist	-	-	-	-
Consulting and other contractual expenses	-	1,300	-	1,300
Staff development	-	-	-	-
Promotion	-	-	-	-
Office rent	-	220,000	-	220,000
Equipment expenses	-	-	-	-
Maintenance and repairs	-	-	-	-
Safety services and materials	-	-	-	-
Food	-	-	-	-
Food – outings	-	-	-	-
Housekeeping supplies	-	-	-	-
Miscellaneous housekeeping	-	-	-	-
Utilities	-	35	-	35
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	-	-	-	-
Interest	-	14,005	-	14,005
Bad debts	-	-	-	-
Property tax expense	-	73	-	73
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	-	266,066	-	266,066
Depreciation and amortization	-	319,843	-	319,843
Intercompany management and residential fees	-	60,000	-	60,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2012	\$ -	\$ 645,909	\$ -	\$ 645,909

**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, 2012**

**Revenue**

SRS contract	\$ 30,608,130
Contributions	448,576
Other - interest and miscellaneous	116,179
Total revenue	<u>31,172,885</u>

**Expenses**

Administration	
Salaries and wages (including taxes and benefits)	1,459,846
Rent and utilities	217,856
Contractual	169,688
Other	479,946
Total administration	<u>2,327,336</u>

Case management	
Salaries and wages (including taxes and benefits)	7,858,974
Other - all other case management expenses	1,803,725
Total case management	<u>9,662,699</u>

Mental health	365,342
Independent living	13,491
Child care	1,138,128

Residential	
Foster care and relatives	5,969,244
Diversion foster care	4,230,690
Level IV and emergency shelters	800,191
Total residential	<u>11,000,125</u>

Other	
Clothing	322,064
Transportation	1,006,587
Other - depreciation and amortization	113,768
Total other	<u>1,442,419</u>

Total expenses	<u>25,949,540</u>
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Revenues over expenses	<u><u>\$ 5,223,345</u></u>
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**KVC Health Systems, Inc.**  
**Schedule of System of Care Grant**  
**Year Ended June 30, 2012**

**Revenue**

Grant revenue	\$ 59,138
Total revenue	<u>59,138</u>

**Expenses**

Salaries and wages	38,662
Taxes and benefits	8,221
Office supplies and expenses	2,822
Indirect administrative expenses	5,376
Other (telephone, utilities, etc )	<u>4,057</u>
Total expenses	<u>59,138</u>

Revenues over expenses	<u><u>\$ -</u></u>
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**KVC Health Systems, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Cluster / Program</b>	<b>Federal Agency/Pass-Through Entity</b>	<b>CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Amount</b>
Health Care and Other Facilities	U S Department of Health and Human Services	93 887	10C76HF19835	\$ 446.479
Initiative to Reduce Long-Term Foster Care	U S Department of Health and Human Services passed through the University of Kansas Center for Research, Inc	93 648	90CT0152 01	332.113
Promoting Safe and Stable Families	U S Department of Health and Human Services passed through the Kentucky Cabinet for Health and Family Services	93 556	ZFAH ZFAU	128.006
National School Lunch Program	U S Department of Agriculture passed through the Kansas State Department of Education	10 555	N0925	66.923
School Breakfast Program	U S Department of Agriculture passed through the Kansas State Department of Education	10 553	N0925	<u>40.024</u>
				<u>\$ 1,013.545</u>

**Notes to Schedule**

- 1 This schedule includes the federal awards activity of KVC Health Systems, Inc., KVC Behavioral HealthCare, Inc., KVC Behavioral Healthcare Kentucky, Inc. and KVC Hospitals, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- 2 The Organization did not provide federal awards to subrecipients during the year ended June 30, 2012.

**Independent Accountants' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit  
of the Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Directors  
KVC Health Systems, Inc.  
Olathe, Kansas

We have audited the consolidated financial statements of KVC Health Systems, Inc. as of and for the year ended June 30, 2012 and have issued our report thereon dated December 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors  
KVC Health Systems, Inc  
Page 2

We noted certain matters that we reported to the Organization's management in a separate letter dated December 6, 2012

This report is intended solely for the information and use of the governing body, management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*BKD, LLP*

Kansas City, Missouri  
December 6, 2012

**Independent Accountants' Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

Board of Directors  
KVC Health Systems, Inc.  
Olathe, Kansas

***Compliance***

We have audited the compliance of KVC Health Systems, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the compliance of KVC Health Systems, Inc. based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, KVC Health Systems, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

***Internal Control Over Compliance***

The management of KVC Health Systems, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 12-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the governing body, management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Kansas City, Missouri  
December 6, 2012

**KVC Health Systems, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**Summary of Auditors' Results**

- 1 The opinion expressed in the independent accountants' report was  
☒ Unqualified    ☐ Qualified    ☐ Adverse    ☐ Disclaimed
  
- 2 The independent accountants' report on internal control over financial reporting disclosed  
  

Significant deficiency(ies)?
☐ Yes    ☒ No

Material weakness(es)?
☐ Yes    ☒ No
  
- 3 Noncompliance considered material to the financial statements was disclosed by the audit?  

☐ Yes    ☒ No
  
- 4 The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed  

Significant deficiency(ies)?
☒ Yes    ☐ No

Material weakness(es)?
☐ Yes    ☒ No
  
- 5 The opinion expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards was  
☒ Unqualified    ☐ Qualified    ☐ Adverse    ☐ Disclaimed
  
- 6 The audit disclosed findings required to be reported by OMB Circular A-133?  

☐ Yes    ☒ No
  
- 7 The Organization's major programs were

Program	CFDA Number
Health Care and Other Facilities	93 887
Initiative to Reduce Long-Term Foster Care	93 648
  
- 8 The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000
  
- 9 The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  

☐ Yes    ☒ No

**KVC Health Systems, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

**Findings Required to be Reported by Government Auditing Standards**

Reference Number	Finding	Questioned Costs
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No matters are reportable

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Questioned Costs
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12-01	<b>Criteria or Specific Requirement</b> - Identification of Federal Funds	None
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**Condition** – The Organization received and expended federal funds during the fiscal year. During our testing, we inquired of management as to the existence of federal fund revenues and expenditures. At that time, management did not identify any federal fund revenues or expenditures exceeding \$500,000 in aggregate as designated by the Office of Management and Budget (OMB) Circular A-133, for the fiscal year.

**Context** – Management did not properly identify the audit requirement for organizations which expend more than \$500,000 in federal awards in aggregate during the fiscal year.

**Effect** – Single Audit requirement was not timely identified.

**Recommendation** – We recommend that management review all significant agreements to ascertain whether federal funds are being received or expended to determine if a Single Audit is required.

**Management's Response** – While reviewing transactions for identification of federal funds, accounting management initially failed to recognize the Organization's receipt of federal funds exceeding \$500,000 due to the receipt of a one-time federal funding received in the current fiscal year. Processes have been put in place so that a more thorough review will be conducted to correctly identify federal funds prior to the beginning of audit testing.