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Form 990

Return of Organization Exempt From Income Tax

2012

Open to Public
InspectionDepartment of the Treasury
Internal Revenue ServiceUnder section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung
benefit trust or private foundation)

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

A For the 2012 calendar year, or tax year beginning 07-01-2012, 2012, and ending 06-30-2013

B Check if applicable	C Name of organization KVC Hospitals Inc		D Employer identification number 27-1672159
<input type="checkbox"/> Address change	Doing Business As		
<input type="checkbox"/> Name change			
<input type="checkbox"/> Initial return	Number and street (or P O box if mail is not delivered to street address)	Room/suite	E Telephone number (913) 322-4900
<input type="checkbox"/> Terminated			
<input type="checkbox"/> Amended return	City or town, state or country, and ZIP + 4 Olathe, KS 66061		
<input type="checkbox"/> Application pending			G Gross receipts \$ 18,248,617

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

J Website: ► WWW KVC.ORG

K Form of organization Corporation Trust Association Other ► L Year of formation 2010 M State of legal domicile KS

Part I Summary

1 Briefly describe the organization's mission or most significant activities
IT IS THE MISSION OF KVC TO ENRICH AND ENHANCE THE LIVES OF CHILDREN AND THEIR FAMILIES BY PROVIDING MEDICAL AND BEHAVIORAL HEALTHCARE, SOCIAL SERVICES AND EDUCATION

2 Check this box ► if the organization discontinued its operations or disposed of more than 25% of its net assets

3 Number of voting members of the governing body (Part VI, line 1a)	4	5	6
4 Number of independent voting members of the governing body (Part VI, line 1b)			0
5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)		327	
6 Total number of volunteers (estimate if necessary)		232	
7a Total unrelated business revenue from Part VIII, column (C), line 12			0
b Net unrelated business taxable income from Form 990-T, line 34			0

Activities & Governance	Revenue	Prior Year		Current Year	
		8 Contributions and grants (Part VIII, line 1h)	9 Program service revenue (Part VIII, line 2g)	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)
		975,666	15,247,124	1,393	54,074
					16,278,257
					18,248,617

Expenses	Revenue	Prior Year		Current Year	
		13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	14 Benefits paid to or for members (Part IX, column (A), line 4)	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	16a Professional fundraising fees (Part IX, column (A), line 11e)
		115	0	7,913,641	0
					8,230,627
					16,144,383
					133,874
					-1,152,842

Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year		End of Year	
		21 Total liabilities (Part X, line 26)	22 Net assets or fund balances Subtract line 21 from line 20		
		4,711,116	1,040,487	3,670,629	4,662,901

Part II Signature Block

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

Sign Here	***** Signature of officer	2014-05-15 Date
	B WAYNE SIMS PRESIDENT Type or print name and title	

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

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

Part III Statement of Program Service Accomplishments

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

1 Briefly describe the organization's mission

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

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

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

Yes No

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

Yes No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code) (Expenses \$ 3,470,585 including grants of \$) (Revenue \$ 3,600,909

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 AND RESIDENTIAL TREATMENT FACILITY PROGRAMS ARE PROVIDED FROM THIS LOCATION (SEE CONTINUATION ON SCHEDULE O).

4b (Code) (Expenses \$ 13,098,828 including grants of \$) (Revenue \$ 14,044,096

PRAIRIE RIDGE KVC PROVIDES A CONTINUUM OF MEDICAL & BEHAVIORAL HEALTHCARE SERVICES TO MORE THAN 1,000 CHILDREN & ADOLESCENTS EACH YEAR AT ITS JOINT-COMMISSION ACCREDITED, 75-ACRE CAMPUS IN KANSAS CITY. PSYCHIATRIC HOSPITAL AND RESIDENTIAL TREATMENT FACILITIES ARE PROVIDED 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).

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

4d Other program services (Describe in Schedule O)

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

4e Total program service expenses ► 16,569,413

Part IV Checklist of Required Schedules

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part XI

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

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

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

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

b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV

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

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

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

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

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

20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H

b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?

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

Part IV Checklist of Required Schedules (continued)

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

Part V Statements Regarding Other IRS Filings and Tax Compliance

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

		Yes	No
1a Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	42	
b Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0	
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	327	
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	Yes	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	No	
b If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O	3b		
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	No	
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			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No	
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No	
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No	
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).	7a	No	
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7b		
b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7c	No	
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7d		
d If "Yes," indicate the number of Forms 8282 filed during the year	7e	No	
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7f	No	
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7g		
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7h		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	8		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	9a		
9 Sponsoring organizations maintaining donor advised funds.	9b		
a Did the organization make any taxable distributions under section 4966?			
b Did the organization make a distribution to a donor, donor advisor, or related person?			
10 Section 501(c)(7) organizations. Enter	10a		
a Initiation fees and capital contributions included on Part VIII, line 12	10b		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities			
11 Section 501(c)(12) organizations. Enter	11a		
a Gross income from members or shareholders	11b		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)			
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.	13a		
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O	13b		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a	No	
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		

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

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

Section A. Governing Body and Management

		Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year	1a	6	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
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	8a	Yes	
a The governing body?	8b	Yes	
b Each committee with authority to act on behalf of the governing body?	9		No
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O			

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

	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 this 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?	15a	No
a The organization's CEO, Executive Director, or top management official	15b	No
b Other officers or key employees of the organization		
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	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
 Own website Another's website Upon request Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
- 20 State the name, 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 (913) 322-4900

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

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

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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

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

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

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

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

	Yes	No
3 Did the organization list any former 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	1,289,697
WEISS STAFFING SOLUTIONS ,	CONTRACTED SERVICES	177,002
PROF NURSING SERVICES ,	CONTRACTED SERVICES	472,837
PHYSICIANS REFERENCE LAB ,	CONTRACTED SERVICES	227,497
PAM'S BAKERY SHOP AND CATERING LLC ,	CONTRACTED SERVICES	144,382

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **►9**

Part VIII Statement of Revenue

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

			(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 46,000					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e 355,088					
	f All other contributions, gifts, grants, and similar amounts not included above	1f 14,257					
	g Noncash contributions included in lines 1a-1f \$						
	h Total. Add lines 1a-1f		415,345				
Program Service Revenue	2a NET PATIENT SERVICE REVENUE	Business Code					
		624100	17,645,005	17,645,005			
	b						
	c						
	d						
	e						
	f All other program service revenue						
	g Total. Add lines 2a-2f		17,645,005				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		952			952	
	4 Income from investment of tax-exempt bond proceeds		0				
	5 Royalties		0				
	6a Gross rents	(i) Real					
	b Less rental expenses						
	c Rental income or (loss)	0	0				
	d Net rental income or (loss)			0			
	7a Gross amount from sales of assets other than inventory	(i) Securities					
b Less cost or other basis and sales expenses							
c Gain or (loss)							
d Net gain or (loss)			0				
8a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18							
b Less direct expenses	b						
c Net income or (loss) from fundraising events			0				
9a Gross income from gaming activities See Part IV, line 19	a						
b Less direct expenses	b						
c Net income or (loss) from gaming activities			0				
10a Gross sales of inventory, less returns and allowances	a						
b Less cost of goods sold	b						
c Net income or (loss) from sales of inventory			0				
Miscellaneous Revenue		Business Code					
11a MANAGEMENT FEE	900099	6,000			6,000		
b OTHER INCOME	900099	181,315			181,315		
c							
d All other revenue							
e Total. Add lines 11a-11d		187,315					
12 Total revenue. See Instructions		18,248,617	17,645,005			188,267	

Part IX Statement of Functional Expenses

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

Check if Schedule O contains a response 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	24	24		
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	144,887	144,887		
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	7,430,112	7,430,112		
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	62,000	62,000		
9 Other employee benefits	839,160	839,160		
10 Payroll taxes	694,765	694,765		
11 Fees for services (non-employees)				
a Management	1,967,000		1,967,000	
b Legal	101,472	101,472		
c Accounting	0			
d Lobbying	0			
e Professional fundraising services See Part IV, line 17	0			
f Investment management fees	0			
g Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O)	4,045,190	4,045,190	0	0
12 Advertising and promotion	15,445	15,445		
13 Office expenses	955,360	955,360		
14 Information technology	0			
15 Royalties	0			
16 Occupancy	876,564	876,564		
17 Travel	102,454	102,454		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	20,733	20,733		
20 Interest	1,520		1,520	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	419,123	419,123		
23 Insurance	109,694		109,694	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O)				
a REPAIRS & MAINTENANCE	173,082	173,082		
b LICENSES & DUES	125,364	125,364		
c MEDICAL SUPPLIES	543,741	543,741		
d BAD DEBT EXPENSE	753,482		753,482	
e All other expenses	20,287	19,937	350	
25 Total functional expenses. Add lines 1 through 24e	19,401,459	16,569,413	2,832,046	0
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance SheetCheck if Schedule O contains a response to any question in this Part X

		(A) Beginning of year	(B) End of year	
Assets				
1	Cash—non-interest-bearing	57,258	1	53,290
2	Savings and temporary cash investments	15,049	2	450,061
3	Pledges and grants receivable, net	90,279	3	71,750
4	Accounts receivable, net	3,269,053	4	4,602,569
5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			
		0	5	0
6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) 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	94,292	9	14,880
10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a	2,917,127	
b	Less accumulated depreciation	10b	2,071,627	
		1,179,285	10c	845,500
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	5,900	15	5,900
16	Total assets. Add lines 1 through 15 (must equal line 34)	4,711,116	16	6,043,950
Liabilities				
17	Accounts payable and accrued expenses	894,061	17	1,370,883
18	Grants payable	0	18	0
19	Deferred revenue	100,987	19	10,166
20	Tax-exempt bond liabilities	0	20	0
21	Escrow or custodial account liability Complete Part IV of Schedule D	0	21	0
22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L	0	22	0
23	Secured mortgages and notes payable to unrelated third parties	45,439	23	0
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	1,040,487	26	1,381,049
Net Assets or Fund Balances				
	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
27	Unrestricted net assets	3,670,629	27	4,662,901
28	Temporarily restricted net assets	0	28	0
29	Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
30	Capital stock or trust principal, or current funds	30		
31	Paid-in or capital surplus, or land, building or equipment fund	31		
32	Retained earnings, endowment, accumulated income, or other funds	32		
33	Total net assets or fund balances	3,670,629	33	4,662,901
34	Total liabilities and net assets/fund balances	4,711,116	34	6,043,950

Part XI Reconciliation of Net AssetsCheck 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	18,248,617
2	Total expenses (must equal Part IX, column (A), line 25)	2	19,401,459
3	Revenue less expenses Subtract line 2 from line 1	3	-1,152,842
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	3,670,629
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	2,145,114
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	4,662,901

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

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

SCHEDULE A
(Form 990 or 990EZ)**Public Charity Status and Public Support****2012****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

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

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

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

27-1672159

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 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 monetary support
Total						

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 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 2012 (line 6, column (f) divided by line 11, column (f))	14	
15 Public support percentage for 2011 Schedule A, Part II, line 14	15	
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here . The organization qualifies as a publicly supported organization		►
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here . The organization qualifies as a publicly supported organization		►
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		►
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here . Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		►
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		►

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

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

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(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 2012 (line 8, column (f) divided by line 13, column (f))	15
16 Public support percentage from 2011 Schedule A, Part III, line 15	16

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18
19a 33 1/3% support tests—2012. 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—2011. 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.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C
(Form 990 or 990-EZ)**Political Campaign and Lobbying Activities****2012****Open to Public
Inspection****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.

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

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

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

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

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

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

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

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

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

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

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

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

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

A Check if the filing organization belongs to an affiliated group (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	
b Total lobbying expenditures to influence a legislative body (direct lobbying)		1,112	102,633
c Total lobbying expenditures (add lines 1a and 1b)		1,112	102,633
d Other exempt purpose expenditures		19,400,347	95,495,451
e Total exempt purpose expenditures (add lines 1c and 1d)		19,401,459	95,598,084
f Lobbying nontaxable amount Enter the amount from the following table in both columns		1,000,000	4,680,759
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)		250,000	1,170,191
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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
2a Lobbying nontaxable amount		4,747,161	4,695,469	4,680,759	14,123,389
b Lobbying ceiling amount (150% of line 2a, column(e))					21,185,084
c Total lobbying expenditures		62,693	61,410	102,633	226,736
d Grassroots nontaxable amount		1,186,790	1,173,869	1,170,191	3,530,850
e Grassroots ceiling amount (150% of line 2d, column (e))					5,296,275
f Grassroots lobbying expenditures		0	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)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.

	(a)		(b)	
	Yes	No	Amount	
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of				
a Volunteers?				
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?				
j Total Add 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 carry over 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) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).	2a	
a Current year	2b	
b Carryover from last year	2c	
c Total	3	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	4	
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?	5	
5 Taxable amount of lobbying and political expenditures (see instructions)		

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information

Identifier	Return Reference	Explanation
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SCHEDULE D
(Form 990)**Supplemental Financial Statements****2012****Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 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? Yes No

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

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

1 Purpose(s) of conservation easements held by the organization (check all that apply)	<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education) <input type="checkbox"/> Preservation of an historically important land area
	<input type="checkbox"/> Protection of natural habitat <input type="checkbox"/> Preservation of a certified historic structure
	<input type="checkbox"/> Preservation of open space
2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year	
a Total number of conservation easements	Held at the End of the Year
b Total acreage restricted by conservation easements	2a
c Number of conservation easements on a certified historic structure included in (a)	2b
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2c
3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► _____	2d
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? <input type="checkbox"/> Yes <input type="checkbox"/> 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 section 170(h)(4)(B)(ii)? <input type="checkbox"/> Yes <input type="checkbox"/> No	
9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements	

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

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

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

(i) 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 (ASC 958) 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 acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a <input type="checkbox"/> Public exhibition	d <input type="checkbox"/> Loan or exchange programs
b <input type="checkbox"/> Scholarly research	e <input type="checkbox"/> Other
c <input type="checkbox"/> 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 XIII

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

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" 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 XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

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

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

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

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

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

a Board designated or quasi-endowment

b Permanent endowment

c Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

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

(i) unrelated organizations

(ii) related organizations

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

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

4 Describe in Part XIII 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
1a Land					
b Buildings					
c Leasehold improvements	0	1,151,393	819,044	332,349	
d Equipment	0	1,760,853	1,252,583	508,270	
e Other	0	4,881		4,881	
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				845,500	

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

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. (Column (b) must equal Form 990, Part X, col (B) line 12.)		

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

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. (Column (b) must equal Form 990, Part X, col (B) line 13.)		

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

(a) Description	(b) Book value
Total. (Column (b) must equal Form 990, Part X, col.(B) line 15.)	

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

(a) Description of liability	(b) Book value	
1 Federal income taxes	0	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.)	0	

2. Fin 48 (ASC 740) Footnote In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII.

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

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 XIII)	2d
e	Add lines 2a through 2d	2e
3	Subtract line 2e from line 1	3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1	
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a
b	Other (Describe in Part XIII)	4b
c	Add lines 4a and 4b	4c
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)	5

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

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

Part XIII Supplemental Information

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, line 2, Part XI, lines 2d and 4b, and Part XII, 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

2012

Open to Public
InspectionSCHEDULE H
(Form 990)Department of the Treasury
Internal Revenue Service

Hospitals

► 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 IncEmployer identification number
27-1672159

Part I Financial Assistance and Certain Other Community Benefits at Cost

1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a

b If "Yes," was it a written policy?

2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year

Applied uniformly to all hospital facilities Applied uniformly to most hospital facilities
 Generally tailored to individual hospital facilities

3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year

a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for *free* care

100% 150% 200% Other _____ %

b Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care

200% 250% 300% 350% 400% Other _____ 150 %

c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care

4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?

5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?

b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?

c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?

6a Did the organization prepare a community benefit report during the tax year?

b If "Yes," did the organization make it available to the public?

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

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)						
b Medicaid (from Worksheet 3, column a)			12,787,016	12,142,816	644,200	3 320 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			12,787,016	12,142,816	644,200	3 320 %
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			12,787,016	12,142,816	644,200	3 320 %

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

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

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	No
2	Enter the amount of the organization's bad debt expense Explain in Part VI the methodology used by the organization to estimate this amount	2	753,482
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements		
Section B. Medicare			
5	Enter total revenue received from Medicare (including DSH and IME)	5	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	
7	Subtract line 6 from line 5 This is the surplus (or shortfall)	7	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6 Check the box that describes the method used		
	<input type="checkbox"/> Cost accounting system	<input type="checkbox"/> Cost to charge ratio	<input type="checkbox"/> Other
Section C. Collection Practices			
9a	Did the organization have a written debt collection policy during the tax year?	9a	Yes
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	Yes

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

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

Part V Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)

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

2

Name, address, and primary website address

Other (Describe)

Facility reporting group

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

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

WHEATLAND

Name of hospital facility or facility reporting group _____**For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)** _____

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1	1 Yes	
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility	
b	<input checked="" type="checkbox"/> Demographics of the community	
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community	
d	<input checked="" type="checkbox"/> How data was obtained	
e	<input checked="" type="checkbox"/> The health needs of the community	
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups	
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs	
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests	
i	<input checked="" type="checkbox"/> 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)	
2	Indicate the tax year the hospital facility last conducted a CHNA 20 12	
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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	3 Yes	
4	4 No	
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	
5	5 Yes	
a	<input checked="" type="checkbox"/> Hospital facility's website	
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility	
c	<input type="checkbox"/> Other (describe in Part VI)	
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)	
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA	
b	<input type="checkbox"/> Execution of the implementation strategy	
c	<input type="checkbox"/> Participation in the development of a community-wide plan	
d	<input type="checkbox"/> Participation in the execution of a community-wide 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 checked="" type="checkbox"/> Prioritization of health needs in its community	
h	<input checked="" 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	7 Yes	
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	
8a	8a No	
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	
8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____	

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care?	10	Yes
	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		
11	Used FPG to determine eligibility for providing <i>discounted</i> care?	11	Yes
	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		
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes
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)		
13	Explained the method for applying for financial assistance?	13	Yes
14	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)	14	Yes
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input type="checkbox"/> The policy was attached to 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 on 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)		

Billing and Collections

15	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?	15	Yes
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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		
e	<input type="checkbox"/> Other similar actions (describe in Part VI)		
17	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	17	No
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)		

Part V Facility Information (continued)

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- a Notified individuals of the financial assistance policy on admission
- b Notified individuals of the financial assistance policy prior to discharge
- c Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 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

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

	Yes	No
19		No

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

20 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 The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d Other (describe in Part VI)

21		No

21 During the tax year, did the hospital facility charge any FAP-eligible individuals 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

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

22		No

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

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

PRAIRIE RIDGE

Name of hospital facility or facility reporting group _____**For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)** _____

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1	Yes	
1		
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility	
b	<input checked="" type="checkbox"/> Demographics of the community	
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community	
d	<input checked="" type="checkbox"/> How data was obtained	
e	<input checked="" type="checkbox"/> The health needs of the community	
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups	
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs	
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests	
i	<input checked="" type="checkbox"/> 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)	
2	Indicate the tax year the hospital facility last conducted a CHNA <u>2012</u>	
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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	Yes	
4	No	
5	Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	
a	<input checked="" type="checkbox"/> Hospital facility's website	
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility	
c	<input type="checkbox"/> Other (describe in Part VI)	
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)	
a	<input type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA	
b	<input type="checkbox"/> Execution of the implementation strategy	
c	<input type="checkbox"/> Participation in the development of a community-wide plan	
d	<input type="checkbox"/> Participation in the execution of a community-wide 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 checked="" type="checkbox"/> Prioritization of health needs in its community	
h	<input checked="" 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs.	
7	Yes	
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	
8a	No	
8b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	
8b		
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____	

Part V Facility Information (continued)

Financial Assistance Policy		Yes	No
9 Did the hospital facility have in place during the tax year a written financial assistance policy that explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9	Yes	
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care?	10	Yes	
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			
11 Used FPG to determine eligibility for providing <i>discounted</i> care?	11	Yes	
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			
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12	Yes	
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)			
13 Explained the method for applying for financial assistance?	13	Yes	
14 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)	14	Yes	
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website b <input type="checkbox"/> The policy was attached to 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 on 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)			

Billing and Collections

15 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?	15	Yes	
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the 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 e <input type="checkbox"/> Other similar actions (describe in Part VI)			
17 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	17	No	
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)			

Part V Facility Information (continued)

18 Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)

- a Notified individuals of the financial assistance policy on admission
- b Notified individuals of the financial assistance policy prior to discharge
- c Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e Other (describe in Part VI)

Policy Relating to Emergency Medical Care

19 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

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

	Yes	No
19		No

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

20 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 The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged
- b The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged
- c The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged
- d Other (describe in Part VI)

21		No

21 During the tax year, did the hospital facility charge any FAP-eligible individuals 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

22 During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual?

If "Yes," explain in Part VI

22		No

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

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

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, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.)
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8 Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
COSTING METHODOLOGY	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.
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 \$753,482

Identifier	ReturnReference	Explanation
BAD DEBT EXPENSE	SCHEDULE H, PART III, LINE 2	THE ORGANIZATION USES HISTORICAL COLLECTION DATA AS WELL AS ESTIMATED PERCENTAGES APPLIED TO THE VARIOUS AGED CATEGORIES TO ESTIMATE THE AMOUNT OF UNCOLLECTIBLE RECEIVABLES
BAD DEBT EXPENSE FOOTNOTE	SCHEDULE H, PART III, LINE 4	ACCOUNTS RECEIVABLE ARE STATED AT THE NET REALIZABLE VALUE, WHICH IS THE AMOUNT MANAGEMENT EXPECTS TO COLLECT FROM OUTSTANDING BALANCES. THE ORGANIZATION PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS, WHICH IS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS. ACCOUNTS RECEIVABLE ARE ORDINARILY DUE 30 DAYS AFTER THE ISSUANCE OF THE INVOICE. ACCOUNTS PAST DUE MORE THAN 90 DAYS ARE CONSIDERED DELINQUENT. DELINQUENT RECEIVABLES ARE WRITTEN OFF BASED ON INDIVIDUAL CREDIT EVALUATION AND SPECIFIC CIRCUMSTANCES OF THE CUSTOMER. THE BAD DEBT EXPENSE IS FROM THOSE CLIENTS THAT DO NOT QUALIFY FOR CHARITY CARE OR FOR FINANCIAL ASSISTANCE THAT ARE NOT EXPECTED TO PAY THE COST OF THE VISITS. THE 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
COMMUNITY INPUT INTO CHNA REPORT	SCHEDULE H, PART V, SECTION B, LINE 3	THE PROCESS FOR OBTAINING INPUT FROM REPRESENTATIVES OF THE COMMUNITY WAS THE SAME FOR BOTH THE PRAIRIE RIDGE AND WHEATLAND PSYCHIATRIC HOSPITALS METHODOLOGY - SURVEYS WITH 10 KEY STAKEHOLDERS (INFORMANTS) WERE CONDUCTED STAKEHOLDERS WERE DETERMINED BASED ON THEIR A) SPECIALIZED KNOWLEDGE OR EXPERTISE IN BEHAVIORAL HEALTH, B) THEIR AFFILIATION WITH LOCAL GOVERNMENT, SCHOOLS AND INDUSTRY OR C) THEIR INVOLVEMENT WITH UNDERSERVED AND MINORITY POPULATIONS A WEB-BASED SURVEY TOOL WAS USED TO GATHER INPUT VIA A STANDARD 11- QUESTION SURVEY THE QUESTIONS WERE GROUPED INTO THE FOLLOWING 4 MAJOR CATEGORIES 1 GENERAL OPINIONS REGARDING MENTAL AND BEHAVIORAL HEALTH 2 UNDERSERVED POPULATIONS AND COMMUNITIES OF NEED 3 BARRIERS TO IMPROVING MENTAL AND BEHAVIORAL HEALTH FOR CHILDREN AND YOUTH 4 MOST CRITICAL MENTAL/BEHAVIORAL HEALTH ISSUES FOR CHILDREN AND FAMILIES STAKEHOLDERS' RESPONSES WERE SUMMARIZED AND REPORTED FOR EACH OF THE CATEGORIES HEALTH NEEDS IDENTIFIED THROUGH KEY STAKEHOLDER INTERVIEWS WERE INCLUDED AND REPORTED AS HEALTH NEEDS NEEDS FOR VULNERABLE POPULATIONS WERE SEPARATELY REPORTED ON THE ANALYSIS IN ORDER TO FACILITATE THE PRIORITIZATION PROCESS KEY STAKEHOLDERS (INFORMANTS) - THE FOLLOWING INDIVIDUALS PARTICIPATED IN THE SURVEY RANDY CALLSTROM, EXECUTIVE DIRECTOR, PACES/WYANDOT CENTER, KANSAS CITY, KS TERRY CUNNINGHAM , PROJECT COORD , CHILDREN'S ENHANCEMENT PROJECT, KANSAS CITY, MO JERRY SMITH, CRISIS TEAM LEADER, FAMILY GUIDANCE, TOPEKA, KS BILL BROWN, ACI COORDINATOR , FAMILY GUIDANCE, ST JOSEPH, MO JEANINE FORSBERG, DIRECTOR OF EMERGENCY SERVICES, SALINA REGIONAL HOSPITAL, SALINA, KS SANDY HASHMAN, EXECUTIVE DIRECTOR , OPTUM HEALTH OF KANSAS MACHA GREENLEAF CATHY SCHAFER JAMIE MALONE ANN YOUNG

Identifier	ReturnReference	Explanation
AVAILABILITY OF CHNA REPORT	SCHEDULE H, PART V, SECTION B, LINE 5	THE CHNA REPORTS FOR BOTH WHEATLAND AND PRAIRIE RIDGE HOSPITALS ARE AVAILABLE AT THE ORGANIZATION'S WEBSITE AT HTTP://WWW.KVC.ORG/KANSAS/KANSAS-SERVICES/CHILDRENS-PSYCHIATRIC-HOSPITALS
FINANCIAL ASSISTANCE POLICY	SCHEDULE H, PART V, SECTION B, LINE 12H	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
AMOUNTS CHARGED TO FAP ELIGIBLE INDIVIDUALS	SCHEDULE H, PART V, LINE 20D	THE MEDICAID RATES ARE USED WHEN CALCULATING THE MAXIMUM AMOUNTS THAT CAN BE CHARGED TO FAP-ELIGIBLE INDIVIDUALS FOR EMERGENCY OR MEDICALLY NECESSARY CARE
NEEDS ASSESSMENT	SCHEDULE H, PART VI, LINE 2	THE WHEATLAND HOSPITAL WAS CREATED IN COOPERATION WITH THE STATE OF KANSAS THE STATE OF KANSAS ASSESSED THE NEED FOR A PSYCHIATRIC HOSPITAL FOR THE CENTRAL AND WESTERN PART OF KANSAS PRAIRIE RIDGE PROVIDES MENTAL HEALTH CARE TO THE COMMUNITIES IT SERVES THIS NEED IS ASSESSED BY DISCUSSING INPATIENT MENTAL HEALTH NEEDS WITH STATE FOSTER CARE CONTRACTORS, OTHER HOSPITALS AND COMMUNITY MENTAL HEALTH CENTERS THE STATE OF KANSAS HAS ALSO ASSESSED THE NEED FOR THESE SERVICES

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

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

OMB No 1545-0047

2012**Open to Public
Inspection**Department of the Treasury
Internal Revenue Service

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

Name of the organization
KVC Hospitals Inc

Employer identification number

27-1672159

Part I Questions Regarding Compensation

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

<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence
<input type="checkbox"/> Tax indemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III

<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract
<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study
<input type="checkbox"/> Form 990 of other organizations	<input type="checkbox"/> Approval by the board or compensation committee

4 During the year, did any person listed 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?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

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

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

a The organization?

b Any related organization?

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

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

a The organization?

b Any related organization?

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

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

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

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

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

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

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

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

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) B WAYNE SIMS-SEE SCH O DIRECTOR/BOARD PRESIDENT	(i) 0 260,493	(ii) 0 15,000	(iii) 0 0	0 0	0 50,000	0 7,686	333,179 0 0
(2) ANNE ROBERTS-SEE SCH O DIRECTOR/BOARD SECRETARY	(i) 0 175,350	(ii) 0 10,000	(iii) 0 0	0 0	0 10,000	0 8,161	203,511 0 0
(3) PAUL KLAYDER-SEE SCH O DIRECTOR/BOARD TREASURER	(i) 0 160,353	(ii) 0 5,000	(iii) 0 0	0 0	0 10,000	0 10,012	185,365 0 0
(4) SHERRY LOVE-SEE SCH O DIRECTOR	(i) 0 161,122	(ii) 0 5,000	(iii) 0 0	0 0	0 10,000	0 11,127	187,249 0 0

Part III Supplemental Information

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

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 COMPENSTION OF B WAYNE SIMS, BOARD PRESIDENT OF KVC HOSPITALS, INC AND PRESIDENT/CEO OF KVC HEALTH SYSTEMS, INC

Schedule L

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, line 38a or 40b.

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

OMB No 1545-0047

2012

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
KVC Hospitals Inc

Employer identification number

27-1672159

Part I 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) Relationship between disqualified person and organization	(c) Description of transaction		(d) Corrected?	
			Yes	No	Yes	No

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

Part II Loans to and/or From Interested Persons.

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

Part III Grants or Assistance Benefitting Interested Persons.

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

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	1,289,697	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.

2012**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	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 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

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	<p>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</p> <p>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</p>

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 36% - KVC BEHAVIORAL HEALTHCARE WEST VIRGINIA, INC 9% - KVC HEALTH SYSTEMS, INC 7% - KVC BEHAVIORAL HEALTHCARE KENTUCKY, INC 15% - KVC BEHAVIORAL HEALTHCARE NEBRASKA, INC 15% - KVC HOSPITALS, INC 17% - KVC REAL ESTATE HOLDINGS, INC 1% - KVC FOUNDATION, INC <1%

Identifier	Return Reference	Explanation
RECONCILIATION OF NET ASSETS	FORM 990, PART XI, LINE 9	INTERCOMPANY TRANSFER \$ 2,145,114

Identifier	Return Reference	Explanation
OTHER FEES FOR SERVICES FOR NON-EMPLOYEES	FORM 990 PART IX LINE 11G	DESCRIPTION CONSULTING TOTAL FEES 1386476

Identifier	Return Reference	Explanation
OTHER FEES FOR SERVICES FOR NON-EMPLOYEES	FORM 990 PART IX LINE 11G	DESCRIPTION CONTRACT LABOR TOTAL FEES 959503

Identifier	Return Reference	Explanation
OTHER FEES FOR SERVICES FOR NON-EMPLOYEES	FORM 990 PART IX LINE 11G	DESCRIPTION CONTRACT PHYSICIANS TOTAL FEES 1699211

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public
InspectionDepartment of the Treasury
Internal Revenue ServiceName of the organization
KVC Hospitals IncEmployer identification number
27-1672159

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

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

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

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(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 300 KENTON DRIVE CHARLESTON, WV 25311 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 825 M STREET LINCOLN, NE 68508 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	

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to Form 990, Part IV, line 1 because it had one or more related organizations treated as a partnership during the tax year.)

Part III

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

Part IV

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

a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

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 or **(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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

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-s)	(c) Amount involved	(d) Method of determining amount involved
(1) KVC BEHAVIORAL HEALTHCARE INC	R	1,889,415	BOOK VALUE
(2) KVC BEHAVIORAL HEALTHCARE NEBRASKA INC	R	117,058	BOOK VALUE
(3) KVC BEHAVIORAL HEALTHCARE INC	S	441,556	BOOK VALUE
(4) KVC REAL ESTATE HOLDINGS INC	K	521,400	BOOK VALUE
(5) KVC BEHAVIORAL HEALTHCARE INC	M	240,000	BOOK VALUE

Part VI

Partnership (Complete if the organization answered "Yes" to Form 990 Part IV line 37.)

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

Software ID:
Software Version:
EIN: 27-1672159
Name: KVC Hospitals Inc

Part VII Supplemental Information

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

Identifier	Return Reference
------------	------------------

Identifier

Return Reference

Explanation

Explanation

TY 2012 Affiliated Group Schedule

Name: KVC Hospitals Inc**EIN:** 27-1672159**Affiliated Group Business Name:** KVC BEHAVIORAL HEALTHCARE I**Address. Either US or Foreign** 21350 W 153RD STREET
Type: OLATHE, KS 66061**EIN:** 48-0770308**Electing Organization Checkbox:** **Total Grassroots Lobbying:** 0**Total Direct Lobbying:** 0**Total Lobbying Expenditures:** 0**Other Exempt Purpose Expenditures:** 35,762,660**Total Exempt Purpose Expenditures:** 35,762,660**Lobbying Nontaxable Amount:** 1,000,000**Grassroots Nontaxable Amount:** 250,000**Tot Lobbying Grassroot Minus Non Tx:** 0**Tot Lobby Expend Mns Lobbying Non Tx:** 0**Share Of Excess Lobbying:** 0**Affiliated Group Business Name:** KVC HEALTH SYSTEMS INC**Address. Either US or Foreign** 21350 W 153RD STREET
Type: OLATHE, KS 66061**EIN:** 26-2516589**Electing Organization Checkbox:** **Total Grassroots Lobbying:** 0**Total Direct Lobbying:** 73,982**Total Lobbying Expenditures:** 73,982**Other Exempt Purpose Expenditures:** 9,139,096**Total Exempt Purpose Expenditures:** 9,213,078**Lobbying Nontaxable Amount:** 610,654**Grassroots Nontaxable Amount:** 152,664**Tot Lobbying Grassroot Minus Non Tx:** 0**Tot Lobby Expend Mns Lobbying Non Tx:** 0**Share Of Excess Lobbying:** 0

Affiliated Group Business Name:

KVC BEHAVIORAL HEALTHCARE WE

Address. Either US or Foreign

300 KENTON DRIVE

Type:

CHARLESTON, WV 25311

EIN:

31-1770280

Electing Organization Checkbox:

Total Grassroots Lobbying: 0

Total Direct Lobbying: 0

Total Lobbying Expenditures: 0

**Other Exempt Purpose
Expenditures:** 6,272,389

**Total Exempt Purpose
Expenditures:** 6,272,389

Lobbying Nontaxable Amount: 463,619

Grassroots Nontaxable Amount: 115,905

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

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

Share Of Excess Lobbying: 0

Affiliated Group Business Name:

KVC BEHAVIORAL HEALTHCARE KE

Address. Either US or Foreign

900 BEASLEY STREET

Type: LEXINGTON, KY 40509

EIN: 27-0795565

Electing Organization Checkbox:

Total Grassroots Lobbying: 0

Total Direct Lobbying: 0

Total Lobbying Expenditures: 0

**Other Exempt Purpose
Expenditures:** 11,237,724

**Total Exempt Purpose
Expenditures:** 11,237,724

Lobbying Nontaxable Amount: 711,886

Grassroots Nontaxable Amount: 177,972

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

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

Share Of Excess Lobbying: 0

Affiliated Group Business Name:

KVC BEHAVIORAL HEALTHCARE NE

Address. Either US or Foreign

825 M STREET

Type:

LINCOLN, NE 68508

EIN:

27-0408957

Electing Organization Checkbox:

Total Grassroots Lobbying:

0

Total Direct Lobbying:

27,539

Total Lobbying Expenditures:

27,539

Other Exempt Purpose

13,289,495

Expenditures:

Total Exempt Purpose

13,317,034

Expenditures:

Lobbying Nontaxable Amount:

815,852

Grassroots Nontaxable Amount:

203,963

Tot Lobbying Grassroot Minus Non

0

Tx:

Tot Lobby Expend Mns Lobbying

0

Non Tx:

Share Of Excess Lobbying:

0

Affiliated Group Business Name:

KVC HOSPITALS INC

Address. Either US or Foreign

21350 W 153RD STREET

Type:

OLATHE, KS 66061

EIN:

27-1672159

Electing Organization Checkbox:

Total Grassroots Lobbying:

0

Total Direct Lobbying:

1,112

Total Lobbying Expenditures:

1,112

Other Exempt Purpose

19,400,347

Expenditures:

Total Exempt Purpose

19,401,459

Expenditures:

Lobbying Nontaxable Amount:

1,000,000

Grassroots Nontaxable Amount:

250,000

Tot Lobbying Grassroot Minus Non

0

Tx:

Tot Lobby Expend Mns Lobbying

0

Non Tx:

Share Of Excess Lobbying:

0

Affiliated Group Business Name:

KVC REAL ESTATE HOLDINGS IN

Address. Either US or Foreign

21350 W 153RD STREET

Type:

OLATHE, KS 66061

EIN:

26-2516519

Electing Organization Checkbox:

Total Grassroots Lobbying: 0

Total Direct Lobbying: 0

Total Lobbying Expenditures: 0

**Other Exempt Purpose
Expenditures:** 382,522

**Total Exempt Purpose
Expenditures:** 382,522

Lobbying Nontaxable Amount: 76,504

Grassroots Nontaxable Amount: 19,126

**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 FOUNDATION INC

Address. Either US or Foreign

21350 W 153RD STREET

Type: OLATHE, KS 66061

26-2516476

Electing Organization Checkbox:

Total Grassroots Lobbying: 0

Total Direct Lobbying: 0

Total Lobbying Expenditures: 0

**Other Exempt Purpose
Expenditures:** 11,218

**Total Exempt Purpose
Expenditures:** 11,218

Lobbying Nontaxable Amount: 2,244

Grassroots Nontaxable Amount: 561

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

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

Share Of Excess Lobbying: 0

KVC Health Systems, Inc.

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

June 30, 2013 and 2012



KVC Health Systems, Inc.

June 30, 2013 and 2012

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KVC Health Systems, Inc.

June 30, 2013 and 2012

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of KVC Health Systems, Inc., which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KVC Health Systems, Inc as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Supplementary Information

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 State, 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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, 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* in considering KVC Health Systems, Inc's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
December 10, 2013

KVC Health Systems, Inc.
Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,904,550	\$ 3,956,458
Accounts receivable, net of allowance. 2013 - \$969,000, 2012 - \$940,000	11,331,983	9,815,658
Contributions receivable	186,104	-
Grants receivable	2,364,725	302,886
Prepaid expenses	463,465	821,436
Total current assets	<u>16,250,827</u>	<u>14,896,438</u>
Property and Equipment, net	<u>10,684,510</u>	<u>10,914,417</u>
Contributions Receivable	<u>97,993</u>	<u>-</u>
Other Assets		
Goodwill	545,000	545,000
Deposits and other assets	726,017	510,857
	<u>1,271,017</u>	<u>1,055,857</u>
Total assets	<u>\$ 28,304,347</u>	<u>\$ 26,866,712</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 19,899	\$ 184,940
Accounts payable	3,205,195	2,608,491
Accrued salaries	1,474,007	1,469,226
Accrued compensated absences	1,094,194	804,982
Other accrued expenses	1,198,757	1,223,720
Deferred revenue	94,119	119,320
Total current liabilities	<u>7,086,171</u>	<u>6,410,679</u>
Long-term Debt		
Capital lease obligations	<u>12,128</u>	<u>21,922</u>
Total liabilities	<u>7,098,299</u>	<u>6,432,601</u>
Net Assets		
Unrestricted	20,813,598	20,434,111
Temporarily restricted	392,450	-
Total net assets	<u>21,206,048</u>	<u>20,434,111</u>
Total liabilities and net assets	<u>\$ 28,304,347</u>	<u>\$ 26,866,712</u>

KVC Health Systems, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains and Other Support		
Contract reintegration and adoption services	\$ 34,116,643	\$ 83,165,551
Child placing services	19,089,572	13,703,208
Inpatient services	17,346,778	14,465,541
Family preservation/ in-home services	12,201,654	8,279,737
Contributions and grants	2,228,621	3,162,069
Capital campaign contributions	23,892	-
Interest income	8,530	13,056
Gain (loss) on disposition of assets	(150,918)	34,253
Gain on forgiveness of debt	7,971	-
Miscellaneous	1,282,022	656,513
 Total unrestricted revenues, gains and other support	 <u>86,154,765</u>	 <u>123,479,928</u>
Operating Expenses		
Client care	73,051,452	99,929,526
Administrative and general	12,492,231	12,367,054
Fund raising	231,595	230,722
 Total operating expenses	 <u>85,775,278</u>	 <u>112,527,302</u>
Change in Unrestricted Net Assets	 <u>379,487</u>	 <u>10,952,626</u>
Temporarily Restricted Net Assets		
Capital campaign contributions	 <u>392,450</u>	 <u>-</u>
Change in Net Assets	 <u>771,937</u>	 <u>10,952,626</u>
Net Assets, Beginning of Year	 <u>20,434,111</u>	 <u>9,481,485</u>
Net Assets, End of Year	 <u>\$ 21,206,048</u>	 <u>\$ 20,434,111</u>

KVC Health Systems, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 771,937	\$ 10,952,626
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	1,495,573	1,675,990
(Gain) loss on disposition of assets	150,918	(34,253)
Gain on forgiveness of debt	(7,971)	-
Goodwill impairment loss	-	116,406
Contributions restricted for acquisition of long-lived assets	(392,450)	-
Changes in		
Accounts receivable	(1,516,325)	(1,943,965)
Grants receivable	(2,061,839)	(183,696)
Prepaid expenses	357,971	680,293
Other assets	(215,160)	(187,535)
Accounts payable	543,993	(1,962,402)
Accrued salaries	4,781	(2,258,647)
Accrued compensated absences	289,212	(422,841)
Other accrued expenses	(24,963)	(728,524)
Deferred revenue	(25,201)	(7,993,333)
Net cash used in operating activities	<u>(629,524)</u>	<u>(2,289,881)</u>
Investing Activities		
Purchase of property and equipment	(1,390,489)	(811,108)
Proceeds from disposition of property and equipment	<u>45,175</u>	<u>2,875,700</u>
Net cash provided by (used in) investing activities	<u>(1,345,314)</u>	<u>2,064,592</u>
Financing Activities		
Proceeds from contributions restricted for acquisition of long-lived assets	108,353	-
Principal payments on long-term debt	<u>(185,423)</u>	<u>(1,331,031)</u>
Net cash used in financing activities	<u>(77,070)</u>	<u>(1,331,031)</u>
Decrease in Cash and Cash Equivalents	(2,051,908)	(1,556,320)
Cash and Cash Equivalents, Beginning of Year	3,956,458	5,512,778
Cash and Cash Equivalents, End of Year	\$ 1,904,550	\$ 3,956,458
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ 52,711	\$ -
Capital lease obligations incurred for property and equipment	18,559	-

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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 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 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 Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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, 2013 and 2012, cash equivalents consisted primarily of money market accounts with banks.

At June 30, 2013, the Organization's cash accounts exceeded federally insured limits by approximately \$1,012,000.

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, 2013 and 2012

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.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. At June 30, 2013, temporarily restricted net assets consists of cash and contributions receivable for capital acquisitions.

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.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of goods and services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2013 and 2012, \$100,863 and \$395,495, respectively, was received in in-kind contributions.

Deferred Revenue

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

Income Taxes

The Organizations are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organizations are subject to federal income tax on any unrelated business taxable income. The Organizations file tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organizations are no longer subject to U.S. federal examinations by tax authorities for years before 2010.

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 2012 financial statements to conform to the 2013 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 Auditor's Report, which is the date the financial statements were available to be issued.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

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

On July 1, 2009, the Organization was awarded a Foster Care Reintegration Services contract from a state agency to provide foster care services to the Kansas City Region 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 is through June 30, 2013.

Revenues for the contract amounted to \$34,116,643 and \$30,608,130, which represents 40% and 25% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2013 and 2012, respectively. Accounts receivable related to the foster care reintegration contract amounted to \$2,967,328 and \$2,611,742 at June 30, 2013 and 2012, 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 \$0 and \$52,557,421, which represents 0% and 43% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2013 and 2012, respectively. Accounts receivable related to the foster care reintegration contracts amounted to \$22,321 and \$145,132 at June 30, 2013 and 2012, 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, 2013 and 2012, fees from Medicaid totaled \$11,721,443 and \$10,783,766, which represents 14% and 9% of the Organization's total unrestricted revenue, gains and other support for the years ended June 30, 2013 and 2012, respectively. Accounts receivable related to Medicaid amounted to \$1,044,761 and \$1,169,398 at June 30, 2013 and 2012, respectively.

Note 5: Revenue Concentrations – KVC Behavioral Healthcare Kentucky, Inc.

On July 1, 2012, the Organization was awarded a Family Preservation Reunification Services and Diversification 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 current contract extension is through June 30, 2014.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Revenues for the contract amounted to \$9,781,988 and \$4,146,438, which represents 11% and 3% of the Organization's unrestricted revenues, gains and support for the years ended June 30, 2013 and 2012, respectively. Accounts receivable related to the contract amounted to \$451,461 and \$1,003,582 at June 30, 2013 and 2012, respectively.

Note 6: Contributions Receivable

Contributions receivable consisted of the following at a discount rate of 4.25%

	Temporarily Restricted	
	2013	2012
Due within one year	\$ 206,782	\$ -
Due in one to five years	<u>128,124</u>	<u>-</u>
	<u>334,906</u>	<u>-</u>
Less		
Allowance for uncollectible contributions	(43,100)	-
Unamortized discount	<u>(7,709)</u>	<u>-</u>
	<u>\$ 284,097</u>	<u>\$ -</u>

Note 7: Conditional Gifts

The Organization has received the following conditional promises to give at June 30 that are not recognized in the consolidated financial statements

	2013	2012
Conditional promise to give upon the commencement of construction and for the three years thereafter	\$ 100,000	\$ -
Conditional promise to give upon raising \$5,000,000 in capital campaign contributions	1,050,000	-
Conditional promise to give upon raising \$6,000,000 in capital campaign contributions	<u>750,000</u>	<u>-</u>
	<u>\$ 1,900,000</u>	<u>\$ -</u>

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 8: Property and Equipment

Property and equipment at June 30 consists of

	2013	2012
Land and land improvements	\$ 1,373,701	\$ 1,373,701
Buildings and leasehold improvements	12,402,498	12,898,704
Furniture and equipment	4,765,430	4,743,668
Works of art	95,141	95,142
Computer equipment	3,631,088	3,187,896
Vehicles	166,709	178,609
Construction in progress	<u>1,097,505</u>	<u>188,729</u>
	23,532,072	22,666,449
Less accumulated depreciation and amortization	<u>12,847,562</u>	<u>11,752,032</u>
	<u><u>\$ 10,684,510</u></u>	<u><u>\$ 10,914,417</u></u>

Note 9: Lines of Credit

The Organization has \$7,000,000 in revolving bank lines of credit expiring in April 2014. At June 30, 2013 and 2012, there were no borrowings against these lines. The lines are collateralized by property and equipment. Interest was 4.25% on June 30, 2013 and is payable monthly.

Note 10: Long-term Debt

	2013	2012
Capital lease obligations (A)	\$ 32,027	\$ 206,862
Less current maturities	<u>19,899</u>	<u>184,940</u>
Noncurrent portion	<u><u>\$ 12,128</u></u>	<u><u>\$ 21,922</u></u>

(A) Capital leases include leases with varying imputed interest rates from 3.00% to 17.00%, due through 2016, collateralized by equipment.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Payments on capital lease obligations at June 30, 2013, are

2014	\$ 20,838
2015	6,600
2016	<u>6,050</u>
	33,488
Less amount representing interest	<u>(1,461)</u>
Present value of future minimum lease payments	<u><u>\$ 32,027</u></u>

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

	2013	2012
Equipment	\$ 801,227	\$ 798,660
Less accumulated depreciation	<u>770,585</u>	<u>608,235</u>
	<u><u>\$ 30,642</u></u>	<u><u>\$ 190,425</u></u>

Note 11: 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, 2013 and 2012 were approximately \$276,000 and \$451,000, respectively.

Note 12: 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, 2013 and 2012 was \$2,603,490 and \$2,733,403, respectively.

Noncancellable operating leases for equipment expire in various years through 2016. Total rental expense for equipment leases for the years ended June 30, 2013 and 2012 was \$608,419 and \$350,457, respectively.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Future minimum lease payments at June 30, 2013, were

	Equipment	Property	Total
2014	\$ 918,380	\$ 2,336,021	\$ 3,254,401
2015	752,960	2,106,302	2,859,262
2016	461,919	1,605,670	2,067,589
2017	418,092	1,386,422	1,804,514
2018	-	130,500	130,500
Thereafter	-	59,125	59,125
	<hr/> <u>\$ 2,551,351</u>	<hr/> <u>\$ 7,624,040</u>	<hr/> <u>\$ 10,175,391</u>

Note 13: Subsequent Event

On July 1, 2013, the Organization was awarded Family Preservation Services and Reintegration/Foster Care/Adoption Services contracts from a state agency to provide services to the Kansas City and East Regions of the State of Kansas. The contracts are for a term of four years, with an option to extend for additional years. The contracts include approximately \$18,000,000 base payments per year for the initial two years as well as monthly payment amounts per child served.

Note 14: 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, 2013

	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
Current Assets										
Cash and cash equivalents	\$ 946 443	\$ 83 898	\$ 19 833	\$ 212 196	\$ 46 008	\$ 503 351	\$ 66 806	\$ 26 015		\$ 1 904 550
Accounts receivable, net of allowance of \$969 000	398 336	3 459 484	425 953	539 327	1 906 314	4 602 569	-	-		11 331 983
Due to from affiliate	(41 547)	-	-	-	-	-	41 547	-		-
Contributions receivable	-	-	-	-	-	-	186 104	-		186 104
Grants receivable	190 132	331 206	-	1 771 637	-	71 750	-	-		2 364 725
Prepaid expenses	64 978	253 473	53 956	33 058	43 120	14 880	-	-		463 465
Total current assets	1 558 342	4 128 061	499 742	2 556 218	1 995 442	5 192 550	294 457	26 015		16 250 827
Property and Equipment, net	899 838	1 265 359	62 952	7 289	88 970	845 500	-	7 514 602		10 684 510
Contributions Receivable	-	-	-	-	-	-	97 993	-		97 993
Other Assets										
Goodwill	-	-	-	-	545 000	-	-	-		545 000
Deposits and other assets	419 462	158 512	17 988	19 645	104 510	5 900	-	-		726 017
	419 462	158 512	17 988	564 645	104 510	5 900	-	-		1 271 017
Total assets	\$ 2 877 642	\$ 5 551 932	\$ 580 682	\$ 3 128 152	\$ 2 188 922	\$ 6 043 950	\$ 392 450	\$ 7 540 617	\$ -	\$ 28 304 347

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position (Continued)
June 30, 2013

	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
Current Liabilities										
Current maturities of long-term debt	\$ -	\$ -	\$ 19 899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19 899
Accounts payable	276 245	1 573 905	422 714	59 741	453 056	419 496	-	-	38	3 205 195
Accrued salaries	208 563	488 316	70 652	307 582	103 164	295 730	-	-	-	1 474 007
Accrued compensated absences	233 136	355 552	67 683	169 924	64 733	203 166	-	-	-	1 094 194
Other accrued expenses	203 624	276 809	32 783	134 528	98 522	452 491	-	-	-	1 198 757
Deferred revenue	68 265	-	-	8 521	7 167	10 166	-	-	-	94 119
Total current liabilities	<u>989 833</u>	<u>2 694 582</u>	<u>613 731</u>	<u>680 296</u>	<u>726 642</u>	<u>1 381 049</u>	-	<u>38</u>		<u>7 086 171</u>
Long-term Debt										
Capital lease obligations	-	-	12 128	-	-	-	-	-	-	12 128
Total liabilities	<u>989 833</u>	<u>2 694 582</u>	<u>625 859</u>	<u>680 296</u>	<u>726 642</u>	<u>1 381 049</u>	-	<u>38</u>		<u>7 098 299</u>
Net Assets										
Unrestricted	1 887 809	2 857 350	(45 177)	2 447 856	1 462 280	4 662 901	-	7 540 579		20 813 598
Temporarily restricted	-	-	-	-	-	-	392 450	-		392 450
Total net assets	<u>1 887 809</u>	<u>2 857 350</u>	<u>(45 177)</u>	<u>2 447 856</u>	<u>1 462 280</u>	<u>4 662 901</u>	<u>392 450</u>	<u>7 540 579</u>		<u>21 206 048</u>
Total liabilities and net assets	<u>\$ 2 877 642</u>	<u>\$ 5 551 932</u>	<u>\$ 580 682</u>	<u>\$ 3 128 152</u>	<u>\$ 2 188 922</u>	<u>\$ 6 043 950</u>	<u>\$ 392 450</u>	<u>\$ 7 540 617</u>	<u>\$ -</u>	<u>\$ 28 304 347</u>

KVC Health Systems, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2013

	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
Unrestricted Revenues, Gains and Other Support										
Contract reintegration and adoption services	\$ -	\$ 34 116 643	\$ -	\$ -	\$ 11 360 209	\$ -	\$ -	\$ -	\$ -	\$ 34 116 643
Child placing services	-	2 491 820	4 789 098	448 445	-	-	-	-	-	19 089 572
Inpatient services	-	-	-	-	-	17 346 778	-	-	-	17 346 778
Family preservation in-home services	-	978 950	404 470	9 781 987	870 945	165 302	-	-	-	12 201 654
Contributions and grants	796 270	947 902	89 430	3 348	11 087	263 699	116 885	-	-	2 228 621
Capital campaign contributions	-	-	-	-	-	-	23 892	-	-	23 892
Interest income	2 569	1 726	-	527	920	952	210	1 626	-	8 530
Gain (loss) on disposition of assets	-	-	-	-	(153 118)	-	2 200	-	-	(150 918)
Gain on forgiveness of debt	-	-	7 971	-	-	-	-	-	-	7 971
Miscellaneous	797 487	86 990	11 974	18 221	185 871	181 315	164	-	-	1 282 022
Management fee	8 041 250	360 000	-	51 000	-	6 000	-	-	(8 458 250)	-
Intercompany services	-	(6 000)	-	-	-	284 571	-	-	(278 571)	-
Intercompany rent	-	-	-	-	-	-	-	1 153 200	(1 153 200)	-
Total unrestricted revenues gains and other support	9 637 576	38 978 031	5 302 943	10 303 528	12 275 914	18 248 617	143 351	1 154 826	(9 890 021)	86 154 765
Operating Expenses										
Client care	-	30 174 268	5 502 965	9 842 079	11 787 161	16 569 413	7 937	-	(832 371)	73 051 452
Administrative and general	9 056 779	5 582 392	769 424	1 395 645	1 529 873	2 832 046	-	382 522	(9 056 450)	12 492 231
Fund raising	229 514	-	-	-	-	-	3 281	-	(1 200)	231 595
Total operating expenses	9 286 293	35 756 660	6 272 389	11 237 724	13 317 034	19 401 459	11 218	382 522	(9 890 021)	85 775 278
Operating Income (Loss)										
Other Income (Expense)	351 283	3 221 371	(969 446)	(934 196)	(1 041 120)	(1 152 842)	132 133	772 304	-	379 487
Intercompany transfers	(751 974)	(2 423 881)	891 731	2 177 815	292 613	2 145 114	(175 218)	(2 156 200)	-	-
Change in Unrestricted Net Assets										
Temporarily Restricted Net Assets	(400 691)	797 490	(77 715)	1 243 619	(748 507)	992 272	(43 085)	(1 383 896)	-	379 487
Capital campaign contributions	-	-	-	-	-	-	392 450	-	-	392 450
Change in Net Assets										
Net Assets, Beginning of Year	(400 691)	797 490	(77 715)	1 243 619	(748 507)	992 272	349 365	(1 383 896)	-	771 937
Net Assets (Deficit), End of Year	\$ 1 887 809	\$ 2 857 350	\$ (45 177)	\$ 2 447 856	\$ 1 462 280	\$ 4 662 901	\$ 392 450	\$ 7 540 579	\$ -	\$ 21 206 048

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
Current Assets										
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	39 406	3 284 513	578 036	1 045 210	1 599 440	3 269 053	-	-		9 815 658
Grants receivable	41 766	143 432	-	27 409	-	90 279	-	-		302 886
Prepaid expenses	104 538	177 124	70 653	63 866	303 408	94 292	-	7 555		821 436
Total current assets	<u>1 958 583</u>	<u>3 697 828</u>	<u>745 442</u>	<u>1 526 262</u>	<u>2 241 918</u>	<u>3 525 931</u>	<u>45 187</u>	<u>1 155 287</u>		<u>14 896 438</u>
Property and Equipment, net										
	<u>853 259</u>	<u>379 399</u>	<u>92 941</u>	<u>10 885</u>	<u>629 460</u>	<u>1 179 285</u>	<u>-</u>	<u>7 769 188</u>		<u>10 914 417</u>
Other Assets										
Goodwill	-	-	-	545 000	-	-	-	-		545 000
Deposits and other assets	255 910	96 758	19 683	5 850	126 756	5 900	-	-		510 857
	<u>255 910</u>	<u>96 758</u>	<u>19 683</u>	<u>550 850</u>	<u>126 756</u>	<u>5 900</u>	<u>-</u>	<u>-</u>		<u>1 055 857</u>
Total assets	<u>\$ 3 067 752</u>	<u>\$ 4 173 985</u>	<u>\$ 858 066</u>	<u>\$ 2 087 997</u>	<u>\$ 2 998 134</u>	<u>\$ 4 711 116</u>	<u>\$ 45 187</u>	<u>\$ 8 924 475</u>	<u>\$ -</u>	<u>\$ 26 866 712</u>

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
Current Liabilities										
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	107 057	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	
Long-term Debt										
Capital lease obligations	-	-	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	
Net Assets										
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 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
Unrestricted Revenues, Gains and Other Support										
Contract reintegration and adoption services	\$ -	\$ 30 608 130	\$ -	\$ 367 016	\$ 52 557 421	\$ -	\$ -	\$ -	\$ -	\$ 83 165 551
Child placing services	-	3 085 747	5 837 712	-	4 412 733	-	-	-	-	13 703 208
Inpatient services	-	-	-	-	-	14 465 541	-	-	-	14 465 541
Family preservation in-home services	-	1 297 878	2 460 240	4 146 438	141 410	233 771	-	-	-	8 279 737
Contributions and grants	619 204	737 566	124 462	472 396	51 269	857 827	79 345	220 000	-	3 162 069
Interest income	5 481	1 698	-	522	1 654	1 393	95	2 213	-	13 056
Gain on disposition of assets	-	-	-	-	(124 178)	-	-	158 431	-	34 253
Miscellaneous	166 403	61 819	13 671	16 510	341 936	54 073	-	2 101	-	656 513
Management fee	7 687 000	480 000	-	409 500	-	-	-	-	(8 576 500)	-
Intercompany services	-	-	-	-	-	665 652	-	-	(665 652)	-
Intercompany rent	-	-	-	-	-	-	-	1 373 200	(1 373 200)	-
Total unrestricted revenues gains and other support	<u>8 478 088</u>	<u>36 272 838</u>	<u>8 436 085</u>	<u>5 412 382</u>	<u>57 382 245</u>	<u>16 278 257</u>	<u>79 440</u>	<u>1 755 945</u>	<u>(10 615 352)</u>	<u>123 479 928</u>
Operating Expenses										
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	<u>8 524 446</u>	<u>31 330 682</u>	<u>10 034 926</u>	<u>5 525 733</u>	<u>50 885 124</u>	<u>16 144 383</u>	<u>51 451</u>	<u>645 909</u>	<u>(10 615 352)</u>	<u>112 527 302</u>
Operating Income (Loss)										
Other Income (Expense)	(46 358)	4 942 156	(1 598 841)	(113 351)	6 497 121	133 874	27 989	1 110 036	-	10 952 626
Change in Unrestricted Net Assets										
Net Assets (Deficit), Beginning of Year	4 333 202	1 848 694	634 741	850 309	(11 402 044)	3 472 654	9 454	9 734 475	-	9 481 485
Net Assets, End of Year	<u>\$ 2 288 500</u>	<u>\$ 2 059 860</u>	<u>\$ 32 538</u>	<u>\$ 1 204 237</u>	<u>\$ 2 210 787</u>	<u>\$ 3 670 629</u>	<u>\$ 43 085</u>	<u>\$ 8 924 475</u>	<u>\$ -</u>	<u>\$ 20 434 111</u>

KVC Health Systems, Inc.
Consolidated Functional Expenses
Year Ended June 30, 2013
(with Comparative Totals for 2012)

	Client Care	Administrative and General	Fund Raising	Total Expenses	2012 Total Expenses
Salaries and wages	\$ 27 787 550	\$ 5 467 579	\$ 108 483	\$ 33 363 612	\$ 40 834 331
Payroll taxes	2 592 321	434 361	9 439	3 036 121	3 792 206
Employee benefits	3 773 563	528 115	17 493	4 319 171	4 785 788
Total salaries, wages and related expenses	<u>34 153 434</u>	<u>6 430 055</u>	<u>135 415</u>	<u>40 718 904</u>	<u>49 412 325</u>
Office supplies and printing	225 308	90 293	18 806	334 407	348 786
Copier and fax expense	234 817	61 619	-	296 436	245 200
Postage	64 248	46 433	-	110 681	143 175
Employee recruitment and advertising	65 183	136 908	-	202 091	224 591
Licenses and dues	244 504	186 807	-	431 311	244 641
Insurance	-	667 158	-	667 158	647 115
Travel	1 891 317	150 086	-	2 041 403	3 476 153
Telephone	985 991	294 093	-	1 280 084	1 386 814
Professional fees	169 338	414 175	-	583 513	762 724
Contract labor	737 711	41 606	12 504	791 821	766 511
Contract physicians	1 818 038	-	-	1 818 038	1 670 717
Consulting and other contractual expenses	2 072 806	709 441	-	2 782 247	6 211 933
Staff development	271 652	278 971	-	550 623	349 344
Promotion	45 727	69 588	5 237	120 552	72 269
Office rent	3 107 390	649 300	14 581	3 771 271	4 333 159
Equipment expenses	243 906	170 554	2 176	416 636	510 386
Maintenance and repairs	219 475	90 277	-	309 752	287 720
Safety services and materials	79 043	31 588	-	110 631	114 164
Food	498 490	5 041	-	503 531	469 523
Food – outings	87 663	83 292	27 219	198 174	216 123
Housekeeping supplies	47 667	5 794	-	53 461	51 775
Miscellaneous housekeeping	315 550	47 557	-	363 107	473 465
Utilities	242 261	159 618	-	401 879	407 467
Payments to foster parents	17 707 321	-	-	17 707 321	18 019 617
Subcontractor – foster home payments	1 964 667	-	-	1 964 667	6 962 761
Foster family training	243 834	141 305	-	385 139	402 441
Subcontractor payments	1 236 814	-	-	1 236 814	8 739 076
Child care payments	1 337 607	-	-	1 337 607	1 139 784
Incidentals	8 067	-	-	8 067	(1 412)
Medical supplies	566 658	-	-	566 658	626 919
Vehicle expenses and repairs	250 675	23 100	-	273 775	302 428
Vehicle rental	477 045	19 264	-	496 309	701 506
General program supplies	172 441	16 162	-	188 603	149 667
Clothing	429 846	-	-	429 846	460 346
Miscellaneous	36 119	31 665	15 657	83 441	188 561
Interest	110	15 141	-	15 251	46 757
Bad debts	-	1 175 138	-	1 175 138	867 447
Property tax expense	161	22 608	-	22 769	12 218
Cost of in-kind donated goods	-	93 801	-	93 801	175 675
Medicaid assessments	14 643	-	-	14 643	46 283
Flex fund	542 535	-	-	542 535	400 779
Kids activity fund	32 810	-	-	32 810	41 173
Loss on impairment of assets	-	-	-	-	116 406
Expenses before depreciation, amortization and intercompany fees	<u>72 842 872</u>	<u>12 358 438</u>	<u>231 595</u>	<u>85 432 905</u>	<u>112 224 512</u>
Depreciation and amortization	756 380	739 193	-	1 495 573	1 675 990
Intercompany management and residential fees	284 571	8 451 050	1 200	8 736 821	9 242 152
Eliminations	<u>(832 371)</u>	<u>(9 056 450)</u>	<u>(1 200)</u>	<u>(9 890 021)</u>	<u>(10 615 352)</u>
Totals Year Ended June 30, 2013	<u>\$ 73 051 452</u>	<u>\$ 12 492 231</u>	<u>\$ 231 595</u>	<u>\$ 85 775 278</u>	<u>\$ 112 527 302</u>
Totals Year Ended June 30, 2012	<u>\$ 99 929 526</u>	<u>\$ 12 367 054</u>	<u>\$ 230 722</u>		<u>\$ 112 527 302</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Health Systems, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ -	\$ 4 424 171	\$ 108 483	\$ 4 532 654
Pavroll taxes	-	338 940	9 439	348 379
Employee benefits	-	374 781	17 493	392 274
Total salaries, wages and related expenses	-	5 137 892	135 415	5 273 307
Office supplies and printing	-	68 357	18 561	86 918
Copier and fax expense	-	40 739	-	40 739
Postage	-	30 993	-	30 993
Employee recruitment and advertising	-	132 521	-	132 521
Licenses and dues	-	157 616	-	157 616
Insurance	-	67 712	-	67 712
Travel	-	132 362	-	132 362
Telephone	-	211 339	-	211 339
Professional fees	-	401 802	-	401 802
Contract labor	-	41 606	12 504	54 110
Contract physicians	-	-	-	-
Consulting and other contractual expenses	-	648 713	-	648 713
Staff development	-	264 829	-	264 829
Promotion	-	45 276	5 237	50 513
Office rent	-	572 800	14 581	587 381
Equipment expenses	-	159 448	2 176	161 624
Maintenance and repairs	-	76 823	-	76 823
Safety services and materials	-	16 218	-	16 218
Food	-	91	-	91
Food – outings	-	70 593	27 219	97 812
Housekeeping supplies	-	5 774	-	5 774
Miscellaneous housekeeping	-	46 432	-	46 432
Utilities	-	157 202	-	157 202
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	140 342	-	140 342
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	17 203	-	17 203
Vehicle rental	-	17 672	-	17 672
General program supplies	-	14 796	-	14 796
Clothing	-	-	-	-
Miscellaneous	-	17 735	13 821	31 556
Interest	-	550	-	550
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	-	8 695 436	229 514	8 924 950
Depreciation and amortization	-	361 343	-	361 343
Intercompany management and residential fees	-	-	-	-
Eliminations	-	-	-	-
Totals Year Ended June 30, 2013	\$ -	\$ 9 056 779	\$ 229 514	\$ 9 286 293

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral HealthCare, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 9 906 955	\$ 520 400	\$ -	\$ 10 427 355
Pavroll taxes	878 122	50 015	-	928 137
Employee benefits	1 468 126	79 684	-	1 547 810
Total salaries, wages and related expenses	12 253 203	650 099	-	12 903 302
Office supplies and printing	128 887	3 118	-	132 005
Copier and fax expense	113 214	4 233	-	117 447
Postage	48 536	2 472	-	51 008
Employee recruitment and advertising	3 523	-	-	3 523
Licenses and dues	28 802	1 290	-	30 092
Insurance	-	293 424	-	293 424
Travel	896 826	2 090	-	898 916
Telephone	290 572	3 644	-	294 216
Professional fees	7 378	-	-	7 378
Contract labor	2 572	-	-	2 572
Contract physicians	-	-	-	-
Consulting and other contractual expenses	648 867	-	-	648 867
Staff development	11 159	63	-	11 222
Promotion	27 019	-	-	27 019
Office rent	976 835	39 000	-	1 015 835
Equipment expenses	49 279	587	-	49 866
Maintenance and repairs	33 830	-	-	33 830
Safety services and materials	30 101	-	-	30 101
Food	15 574	-	-	15 574
Food – outings	24 258	2 347	-	26 605
Housekeeping supplies	12 951	-	-	12 951
Miscellaneous housekeeping	58 770	-	-	58 770
Utilities	62 418	-	-	62 418
Payments to foster parents	8 088 715	-	-	8 088 715
Subcontractor – foster home payments	1 953 709	-	-	1 953 709
Foster family training	133 468	-	-	133 468
Subcontractor payments	1 238 446	-	-	1 238 446
Child care payments	1 337 607	-	-	1 337 607
Incidentals	3 457	-	-	3 457
Medical supplies	22 633	-	-	22 633
Vehicle expenses and repairs	205 196	-	-	205 196
Vehicle rental	441 614	-	-	441 614
General program supplies	43 886	-	-	43 886
Clothing	387 192	-	-	387 192
Miscellaneous	13 006	807	-	13 813
Interest	110	1 430	-	1 540
Bad debts	-	128 019	-	128 019
Property tax expense	31	-	-	31
Cost of in-kind donated goods	-	68 846	-	68 846
Medicaid assessments	-	-	-	-
Flex fund	159 646	-	-	159 646
Kids activity fund	32 112	-	-	32 112
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	29 785 402	1 201 469	-	30 986 871
Depreciation and amortization	104 295	14 923	-	119 218
Intercompany management and residential fees	284 571	4 366 000	-	4 650 571
Eliminations	-	-	-	-
Totals Year Ended June 30, 2013	\$ 30 174 268	\$ 5 582 392	\$ -	\$ 35 756 660

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare West Virginia, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 1 591 546	\$ 155 941	\$ -	\$ 1 747 487
Payroll taxes	283 532	16 658	-	300 190
Employee benefits	<u>197 449</u>	<u>21 121</u>	-	<u>218 570</u>
Total salaries, wages and related expenses	<u>2 072 527</u>	<u>193 720</u>	-	<u>2 266 247</u>
Office supplies and printing	9 379	11 545	-	20 924
Copier and fax expense	20 486	11 287	-	31 773
Postage	2 039	4 586	-	6 625
Employee recruitment and advertising	20 971	2 361	-	23 332
Licenses and dues	34 499	21 044	-	55 543
Insurance	-	44 195	-	44 195
Travel	222 577	7 135	-	229 712
Telephone	109 490	17 051	-	126 541
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	9 785	-	-	9 785
Consulting and other contractual expenses	3 208	55 633	-	58 841
Staff development	5 660	5 472	-	11 132
Promotion	752	12 841	-	13 593
Office rent	295 311	15 900	-	311 211
Equipment expenses	4 133	811	-	4 944
Maintenance and repairs	1 626	392	-	2 018
Safety services and materials	5 700	13 699	-	19 399
Food	11 215	4 950	-	16 165
Food – outings	-	-	-	-
Housekeeping supplies	1 008	20	-	1 028
Miscellaneous housekeeping	20 079	-	-	20 079
Utilities	24 384	861	-	25 245
Payments to foster parents	2 529 206	-	-	2 529 206
Subcontractor – foster home payments	-	-	-	-
Foster family training	47 934	963	-	48 897
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	4 766	2 535	-	7 301
Vehicle rental	4 210	482	-	4 692
General program supplies	4 014	1 366	-	5 380
Clothing	36 000	-	-	36 000
Miscellaneous	2 006	11 257	-	13 263
Interest	-	10 703	-	10 703
Bad debts	-	29 999	-	29 999
Property tax expense	-	353	-	353
Cost of in-kind donated goods	-	22 715	-	22 715
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>5 502 965</u>	<u>503 876</u>	-	<u>6 006 841</u>
Depreciation and amortization	-	48 548	-	48 548
Intercompany management and residential fees	-	217 000	-	217 000
Eliminations	-	-	-	-
Totals Year Ended June 30, 2013	\$ 5 502 965	\$ 769 424	\$ -	\$ 6 272 389

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Kentucky, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 6 313 920	\$ 264 790	\$ -	\$ 6 578 710
Pavroll taxes	538 111	21 254	-	559 365
Employee benefits	832 554	35 277	-	867 831
Total salaries, wages and related expenses	<u>7 684 585</u>	<u>321 321</u>	<u>-</u>	<u>8 005 906</u>
Office supplies and printing	23 506	7 126	-	30 632
Copier and fax expense	5 281	5 360	-	10 641
Postage	3 849	3 032	-	6 881
Employee recruitment and advertising	-	2 026	-	2 026
Licenses and dues	50 355	-	-	50 355
Insurance	-	53 169	-	53 169
Travel	456 776	2 180	-	458 956
Telephone	217 035	57 293	-	274 328
Professional fees	200	12 373	-	12 573
Contract labor	5 628	-	-	5 628
Contract physicians	109 042	-	-	109 042
Consulting and other contractual expenses	15 053	5 095	-	20 148
Staff development	219 969	8 318	-	228 287
Promotion	4 400	10 971	-	15 371
Office rent	253 382	21 600	-	274 982
Equipment expenses	95 901	9 708	-	105 609
Maintenance and repairs	6 532	7 012	-	13 544
Safety services and materials	984	1 671	-	2 655
Food	-	-	-	-
Food – outings	33 750	10 157	-	43 907
Housekeeping supplies	977	-	-	977
Miscellaneous housekeeping	4 650	1 125	-	5 775
Utilities	12 871	1 555	-	14 426
Payments to foster parents	205 735	-	-	205 735
Subcontractor – foster home payments	-	-	-	-
Foster family training	1 917	-	-	1 917
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	10 005	3 362	-	13 367
Vehicle rental	16 365	1 110	-	17 475
General program supplies	12 762	-	-	12 762
Clothing	-	-	-	-
Miscellaneous	4 216	1 132	-	5 348
Interest	-	-	-	-
Bad debts	-	107 113	-	107 113
Property tax expense	-	-	-	-
Cost of in-kind donated goods	-	2 240	-	2 240
Medicaid assessments	-	-	-	-
Flex fund	386 353	-	-	386 353
Kids activity fund	-	-	-	-
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>9 842 079</u>	<u>656 049</u>	<u>-</u>	<u>10 498 128</u>
Depreciation and amortization	-	3 596	-	3 596
Intercompany management and residential fees	-	736 000	-	736 000
Eliminations	-	-	-	-
Totals – Year Ended June 30, 2013	<u>\$ 9 842 079</u>	<u>\$ 1,395 645</u>	<u>\$ -</u>	<u>\$ 11 237 724</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Nebraska, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 2 425 151	\$ 102 277	\$ -	\$ 2 527 428
Payroll taxes	197 791	7 494	-	205 285
Employee benefits	349 253	17 252	-	366 505
Total salaries, wages and related expenses	2 972 195	127 023	-	3 099 218
Office supplies and printing	17 085	147	-	17 232
Copier and fax expense	68 209	-	-	68 209
Postage	5 412	5 350	-	10 762
Employee recruitment and advertising	34 007	-	-	34 007
Licenses and dues	5 484	6 857	-	12 341
Insurance	-	76 265	-	76 265
Travel	256 314	6 319	-	262 633
Telephone	237 066	4 766	-	241 832
Professional fees	60 288	-	-	60 288
Contract labor	-	-	-	-
Contract physicians	-	-	-	-
Consulting and other contractual expenses	19 202	-	-	19 202
Staff development	14 131	289	-	14 420
Promotion	4 285	500	-	4 785
Office rent	883 162	-	-	883 162
Equipment expenses	246	-	-	246
Maintenance and repairs	4 405	-	-	4 405
Safety services and materials	2 694	-	-	2 694
Food	634	-	-	634
Food – outings	8 110	195	-	8 305
Housekeeping supplies	92	-	-	92
Miscellaneous housekeeping	2 060	-	-	2 060
Utilities	4 335	-	-	4 335
Payments to foster parents	6 883 665	-	-	6 883 665
Subcontractor – foster home payments	10 958	-	-	10 958
Foster family training	60 515	-	-	60 515
Subcontractor payments	(1 632)	-	-	(1 632)
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	1 025	-	-	1 025
Vehicle rental	905	-	-	905
General program supplies	1 262	-	-	1 262
Clothing	(348)	-	-	(348)
Miscellaneous	1 981	383	-	2 364
Interest	-	938	-	938
Bad debts	-	156 525	-	156 525
Property tax expense	-	21 816	-	21 816
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	(3 488)	-	-	(3 488)
Kids activity fund	(60)	-	-	(60)
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	11 554 199	407 373	-	11 961 572
Depreciation and amortization	232 962	-	-	232 962
Intercompany management and residential fees	-	1 122 500	-	1 122 500
Eliminations	-	-	-	-
Totals Year Ended June 30, 2013	\$ 11 787 161	\$ 1 529 873	\$ -	\$ 13 317 034

KVC Health Systems, Inc.
Functional Expenses – KVC Hospitals, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 7 549 978	\$ -	\$ -	\$ 7 549 978
Pavill taxes	694 765	-	-	694 765
Employee benefits	926 181	-	-	926 181
Total salaries, wages and related expenses	9 170 924	-	-	9 170 924
Office supplies and printing	46 451	-	-	46 451
Copier and fax expense	27 627	-	-	27 627
Postage	4 412	-	-	4 412
Employee recruitment and advertising	6 174	-	-	6 174
Licenses and dues	125 364	-	-	125 364
Insurance	-	109 693	-	109 693
Travel	58 824	-	-	58 824
Telephone	131 828	-	-	131 828
Professional fees	101 472	-	-	101 472
Contract labor	729 511	-	-	729 511
Contract physicians	1 699 211	-	-	1 699 211
Consulting and other contractual expenses	1 386 476	-	-	1 386 476
Staff development	20 733	-	-	20 733
Promotion	9 271	-	-	9 271
Office rent	698 700	-	-	698 700
Equipment expenses	94 347	-	-	94 347
Maintenance and repairs	173 082	-	-	173 082
Safety services and materials	39 564	-	-	39 564
Food	471 067	-	-	471 067
Food – outings	21 545	-	-	21 545
Housekeeping supplies	32 639	-	-	32 639
Miscellaneous housekeeping	229 991	-	-	229 991
Utilities	138 253	-	-	138 253
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Subcontractor payments	-	-	-	-
Child care payments	-	-	-	-
Incidentals	4 610	-	-	4 610
Medical supplies	544 025	-	-	544 025
Vehicle expenses and repairs	29 683	-	-	29 683
Vehicle rental	13 951	-	-	13 951
General program supplies	110 517	-	-	110 517
Clothing	7 002	-	-	7 002
Miscellaneous	7 564	351	-	7 915
Interest	-	1 520	-	1 520
Bad debts	-	753 482	-	753 482
Property tax expense	47	-	-	47
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	14 643	-	-	14 643
Flex fund	24	-	-	24
Kids activity fund	758	-	-	758
Loss on impairment of assets	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	16 150 290	865 046	-	17 015 336
Depreciation and amortization	419 123	-	-	419 123
Intercompany management and residential fees	-	1 967 000	-	1 967 000
Eliminations	-	-	-	-
Totals Year Ended June 30 2013	\$ 16 569 413	\$ 2 832 046	\$ -	\$ 19 401 459

KVC Health Systems, Inc.
Functional Expenses – KVC Foundation, Inc.
Year Ended June 30, 2013

	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	- -	- -	245	245
Copier and fax expense	- -	- -	- -	- -
Postage	- -	- -	- -	- -
Employee recruitment and advertising	508	- -	- -	508
Licenses and dues	- -	- -	- -	- -
Insurance	- -	- -	- -	- -
Travel	- -	- -	- -	- -
Telephone	- -	- -	- -	- -
Professional fees	- -	- -	- -	- -
Contract labor	- -	- -	- -	- -
Contract physicians	- -	- -	- -	- -
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	7 346	- -	1 836	9 182
Interest	- -	- -	- -	- -
Bad debts	- -	- -	- -	- -
Property tax expense	83	- -	- -	83
Cost of in-kind donated goods	- -	- -	- -	- -
Medicaid assessments	- -	- -	- -	- -
Flex fund	- -	- -	- -	- -
Kids activity fund	- -	- -	- -	- -
Loss on impairment of assets	- -	- -	- -	- -
Expenses before depreciation, amortization and intercompany fees	7 937	- -	2 081	10 018
Depreciation and amortization	- -	- -	- -	- -
Intercompany management and residential fees	- -	- -	1 200	1 200
Eliminations	- -	- -	- -	- -
Totals Year Ended June 30, 2013	\$ 7 937	\$ -	\$ 3 281	\$ 11 218

KVC Health Systems, Inc.
Functional Expenses – KVC Real Estate Holdings, Inc.
Year Ended June 30, 2013

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ -	\$ -	\$ -	\$ -
Pavroll 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	-	-	-	-
Insurance	-	22 700	-	22 700
Travel	-	-	-	-
Telephone	-	-	-	-
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	-	-	-	-
Consulting and other contractual expenses	-	-	-	-
Staff development	-	-	-	-
Promotion	-	-	-	-
Office rent	-	-	-	-
Equipment expenses	-	-	-	-
Maintenance and repairs	-	6 050	-	6 050
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	-	-	-	-
Interest	-	-	-	-
Bad debts	-	-	-	-
Property tax expense	-	439	-	439
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	-	29 189	-	29 189
Depreciation and amortization	-	310 783	-	310 783
Intercompany management and residential fees	-	42 550	-	42 550
Eliminations	-	-	-	-
Totals – Year Ended June 30, 2013	\$ -	\$ 382 522	\$ -	\$ 382 522

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, 2013

Revenue

SRS contract	\$ 34,116,643
Contributions	498,321
Other - interest and miscellaneous	1,191,203
Total revenue	<u>35,806,167</u>

Expenses

Administration

Salaries and wages (including taxes and benefits)	2,063,562
Rent and utilities	286,908
Contractual	326,309
Other	893,321
Total administration	<u>3,570,100</u>

Case management

Salaries and wages (including taxes and benefits)	9,505,372
Other - all other case management expenses	2,216,848
Total case management	<u>11,722,220</u>

Mental health

Independent living	18,144
Child care	1,337,607

Placement costs

Foster care and relatives	6,793,231
Diversion foster care	4,825,093
Residential facilities	1,504,872
Total placement costs	<u>13,123,196</u>

Other

Clothing	386,691
Transportation	1,311,702
Other - depreciation and amortization	80,056
Total other	<u>1,778,449</u>

Total expenses	<u>32,105,604</u>
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Revenues over expenses	<u>\$ 3,700,563</u>
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KVC Health Systems, Inc.
Schedule of System of Care Grant
Year Ended June 30, 2013

Revenue

Grant revenue	\$ 60,000
Other	189
Total revenue	<u>60,189</u>

Expenses

Salaries and wages	48,164
Taxes and benefits	9,262
Office supplies	289
Travel	4,193
Rent	1,428
Telephone	737
Staff development	411
Indirect administrative expenses	9,308
Total expenses	<u>73,792</u>
 Revenues over expenses	 <u>\$ (13,603)</u>

KVC Health Systems, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Cluster / Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Child Nutrition Cluster				
School Breakfast Program	U S Department of Agriculture passed through the Kansas State Department of Education	10 553	X0925	\$ 48.124
National School Lunch Program	U S Department of Agriculture passed through the Kansas State Department of Education	10 555	X0925	<u>80.532</u>
Total child nutrition cluster				<u>128.656</u>
Health Care and Other Facilities	U S Department of Health and Human Services	93 887	10C76HF19835	48.521
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	630.742
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	PON2 736 1200003288 1	1.234.306
Substance Abuse and Mental Health Services	U S Department of Health and Human Services passed through New York University School of Medicine	93 243	1 U79 SM061280-01	<u>25.079</u>
				<u>\$ 2,067.304</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, 2013

Independent Auditor's 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, 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, the consolidated financial statements of KVC Health Systems, Inc., which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Organization's internal control to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance

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*.

Other Matters

We noted certain matters that we reported to the Organization's management in a separate letter dated December 10, 2013.

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
December 10, 2013

**Independent Auditor's 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

Report on Compliance for Each Major Federal Program

We have audited the compliance of KVC Health Systems, Inc with the types of compliance requirements described in the 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, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

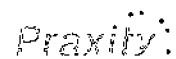
Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of KVC Health Systems, Inc's major federal programs based on our audit of the types of compliance requirements referred to above.

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 on compliance for each major federal program. Our audit does not provide a legal determination on the Organization's compliance with those requirements.



Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control Over Compliance

The management of KVC Health Systems, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. 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.

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 material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
December 10, 2013

KVC Health Systems, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Summary of Auditor's Results

1 The opinion expressed in the independent auditor's report was
 Unmodified Qualified Adverse Disclaimer

2 The independent auditor's report on internal control over financial reporting disclosed

Significant deficiency(ies) ⁹	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es) ⁹	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

3 Noncompliance considered material to the financial statements was disclosed by the audit⁹
 Yes No

4 The independent auditor's 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) ⁹	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es) ⁹	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

5 The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards was

<input checked="" type="checkbox"/> Unmodified <input type="checkbox"/> Qualified <input type="checkbox"/> Adverse <input type="checkbox"/> Disclaimer	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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6 The audit disclosed findings required to be reported by OMB Circular A-133⁹
 Yes No

7 The Organization's major programs were

Program	CFDA Number
Promoting Safe and Stable Families	93 556
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 ⁹	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

KVC Health Systems, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable	

KVC Health Systems, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Reference Number	Summary of Finding	Status
12-01	<p>Criteria or Specific Requirement - Identification of Federal Funds</p> <p>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.</p> <p>Context – Management did not properly identify the audit requirement for organizations which expend more than \$500,000 in federal rewards in aggregate during the fiscal year.</p> <p>Effect – Single Audit requirement was not timely identified.</p> <p>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.</p>	Corrected, no similar findings noted in current year