

KVC Health Systems, Inc.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2018 and 2017

KVC Health Systems, Inc.

June 30, 2018 and 2017

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Independent Auditor's Report

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, 2018 and 2017, 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, 2018 and 2017, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 13, 2018, on our consideration of KVC Health Systems, Inc.'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 13, 2018

KVC Health Systems, Inc.
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,212,047	\$ 7,633,883
Accounts receivable, net of allowance; 2018 - \$1,152,000, 2017 - \$874,000	16,944,259	14,633,404
Contributions receivable	1,670,000	303,742
Grants receivable	1,977,697	1,674,724
Prepaid expenses and other	719,919	1,218,770
	<u>25,523,922</u>	<u>25,464,523</u>
Property and Equipment, Net	<u>25,383,610</u>	<u>20,171,907</u>
Contributions Receivable	<u>585,667</u>	<u>854,925</u>
Other Assets		
Goodwill	545,000	545,000
Deposits and other assets	803,652	654,333
	<u>1,348,652</u>	<u>1,199,333</u>
Total assets	<u>\$ 52,841,851</u>	<u>\$ 47,690,688</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 266,302	\$ 240,126
Line of credit	1,500,000	-
Accounts payable	2,896,261	2,511,590
Accrued salaries	3,976,880	3,617,200
Accrued compensated absences	2,191,596	2,030,220
Other accrued expenses	5,027,489	5,418,132
Deferred revenue	1,738,441	1,171,970
	<u>17,596,969</u>	<u>14,989,238</u>
Total current liabilities	<u>17,596,969</u>	<u>14,989,238</u>
Long-term Debt	<u>9,552,412</u>	<u>6,188,936</u>
Net Pension Liability	<u>276,360</u>	<u>368,574</u>
Total liabilities	<u>27,425,741</u>	<u>21,546,748</u>
Net Assets		
Unrestricted	23,916,110	25,768,940
Temporarily restricted	1,500,000	375,000
	<u>25,416,110</u>	<u>26,143,940</u>
Total net assets	<u>25,416,110</u>	<u>26,143,940</u>
Total liabilities and net assets	<u>\$ 52,841,851</u>	<u>\$ 47,690,688</u>

KVC Health Systems, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted Revenues, Gains and Other Support		
Contract reintegration and adoption services	\$ 91,560,023	\$ 83,757,058
Child placing services	19,067,076	16,423,975
Inpatient services	20,345,681	21,703,959
Family preservation/in-home services	22,105,877	18,110,196
Contributions and grants	4,355,732	3,579,839
Interest income	4,521	5,950
Miscellaneous	1,766,056	1,470,308
	<u>159,204,966</u>	<u>145,051,285</u>
Operating Expenses		
Client care	147,694,237	128,123,892
Administrative and general	13,938,706	13,437,212
Fundraising	340,748	289,395
	<u>161,973,691</u>	<u>141,850,499</u>
Operating Income (Loss)	(2,768,725)	3,200,786
Other Income		
Contribution in affiliation	-	1,519,277
	<u>(2,768,725)</u>	<u>4,720,063</u>
Excess (Deficiency) of Revenues Over Expenses		
Contributions received for property acquisitions	540,895	-
Net assets released from restrictions for property acquisitions	375,000	228,856
	<u>(1,852,830)</u>	<u>4,948,919</u>
Change in Unrestricted Net Assets		
Temporarily Restricted Net Assets		
Contribution in affiliation	-	228,856
Contributions received for property acquisitions	1,500,000	375,000
Net assets released from restrictions for property acquisitions	(375,000)	(228,856)
	<u>(727,830)</u>	<u>5,323,919</u>
Change in Net Assets		
Net Assets, Beginning of Year	<u>26,143,940</u>	<u>20,820,021</u>
Net Assets, End of Year	<u>\$ 25,416,110</u>	<u>\$ 26,143,940</u>

KVC Health Systems, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (727,830)	\$ 5,323,919
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	1,494,621	1,391,903
Loss on disposition of assets	597	-
Contributions received in affiliation	-	(1,748,133)
Contributions received for property acquisitions	(2,040,895)	(375,000)
Provision and discounts on contributions receivable	(34,301)	(57,623)
Provision for uncollectible accounts	234,397	199,994
Changes in		
Accounts receivable	(2,545,252)	(2,367,276)
Grants receivable	(302,973)	(544,431)
Prepaid expenses	498,851	(874,201)
Other assets	(149,319)	(88,533)
Accounts payable	238,533	(264,346)
Accrued salaries	359,680	773,751
Accrued compensated absences	161,376	370,419
Other accrued expenses	(390,643)	1,507,625
Net pension liability	(92,214)	-
Deferred revenue	566,471	(60,935)
	<u>(2,728,901)</u>	<u>3,187,133</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(6,560,783)	(1,332,956)
Cash acquired in affiliation	-	388,133
	<u>(6,560,783)</u>	<u>(944,823)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions restricted for acquisition of long-lived assets	978,196	543,488
Proceeds from issuance of long-term debt	3,652,000	-
Principal payments on long-term debt	(262,348)	(417,455)
Net proceeds under line-of-credit agreements	1,500,000	-
	<u>5,867,848</u>	<u>126,033</u>
Net cash provided by financing activities		
Increase (Decrease) in Cash and Cash Equivalents	(3,421,836)	2,368,343
Cash and Cash Equivalents, Beginning of Year	<u>7,633,883</u>	<u>5,265,540</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,212,047</u>	<u>\$ 7,633,883</u>
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ 146,138	\$ -
Interest paid	418,226	335,569
Loan receivable forgiven in affiliation	-	535,556
Affiliation with The Niles Home for Children, Inc.		
Assets acquired, including cash of \$388,133	-	3,184,823
Liabilities assumed	-	1,436,690

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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

Nature of Operations and Principles of Consolidation

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

KVC Behavioral HealthCare, Inc.

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

KVC Behavioral Healthcare West Virginia, Inc.

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

KVC Behavioral Healthcare Kentucky, Inc.

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

KVC Behavioral Healthcare Nebraska, Inc.

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

KVC Hospitals, Inc.

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

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
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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 Niles Home for Children, Inc.

The Niles Home for Children, Inc. is a Missouri not-for-profit organization headquartered in Kansas City, Missouri, whose mission and principle activities are to provide mental health and education services to high-risk children and families, empowering them to become confident and contributing citizens.

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 and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market accounts with banks.

At June 30, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$874,000.

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, 2018 and 2017

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. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

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 consolidated statements 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.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

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.

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 consolidated 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 consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2018 and 2017, there were no in-kind contributions received.

Deferred Revenue

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

Professional Liability Coverage and Claims

The Organization purchases professional liability insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require an organization to accrue the expense of its share of professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents.

Based upon the Organization's claims experience, an accrual had been made for the Organization's estimated professional liability costs, including costs associated with litigating or settling claims, under its professional liability policy, amounting to \$399,985 and \$488,681 as of June 30, 2018 and 2017, respectively. It is reasonably possible that this estimate could change materially in the near term.

The Organization recorded in accounts receivables on the consolidated statements of financial position \$399,985 and \$488,681 as of June 30, 2018 and 2017, respectively, of professional liability reserve insurance coverage receivables.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Government Grants

Support funded by grants is recognized as the Organization performs the contracted service or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

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

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of activities include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on net earnings.

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

On July 1, 2013, the Organization was awarded Foster Care Reintegration Services and Family Preservation Services contracts from a state agency to provide foster care and family preservation services to the Kansas City and East Regions of the State of Kansas. The contracts are for a term of four years, with two additional two-year renewal options.

Revenues for the contracts amounted to \$97,040,281 and \$88,595,814, which represents 61 percent of the Organization's unrestricted revenues, gains and support for both years ended June 30, 2018 and 2017. Accounts receivable related to the foster care reintegration contract amounted to \$9,357,003 and \$8,097,683 at June 30, 2018 and 2017, respectively.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The KVC Kansas current Reintegration and Family Preservation contracts expire June 30, 2019. KVC will be working with the KS DCF Administration on new contracts or grants for Reintegration and Family Preservation effective July 1, 2019, which could have an effect on the financial statements.

Note 3: Affiliation

Effective December 31, 2016, The Niles Home for Children, Inc. (“Niles”), a Missouri not-for-profit organization, became a consolidated subsidiary of the Organization. The results of Niles operations have been included in the consolidated financial statements since that date. Niles provides mental health and education services to at-risk children in the urban core who are either placed in out-of-home residential care with Niles or who participate in Niles’ day treatments program. The affiliation was accomplished by the Organization becoming the sole member of Niles. No consideration was transferred for the net assets of Niles, thus the fair value of unrestricted and temporarily restricted net assets received by the Organization is shown as a contribution received in affiliation in the consolidated statements of activities for the year ended June 30, 2017.

The Organization incurred costs in connection with the affiliation, which are included in purchased services expenses in the consolidated statements of activities. Prior to the affiliation, Niles had an outstanding loan of \$535,556 due to the Organization which was forgiven as part of the affiliation.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The following table summarizes the fair value of the assets acquired and liabilities assumed recognized at the affiliation date:

Recognized Fair Value of Identifiable Assets Acquired and Liabilities Assumed

	2017
Current assets	\$ 502,612
Property and equipment	2,682,211
Total assets	3,184,823
Current liabilities	1,068,116
Non-current liabilities	368,574
Total liabilities	1,436,690
Total contribution received	\$ 1,748,133

Summary of Contribution Received by Net Asset Classification

	2017
Unrestricted contribution received	\$ 1,519,277
Temporarily restricted contribution received	228,856
Total contribution received	\$ 1,748,133

The Niles affiliation resulted in an inherent contribution received of \$1,748,133, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 4: Contributions Receivable

Contributions receivable consisted of the following at a discount rate of 5.00 percent:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 1,670,000	\$ 303,742
Due in one to five years	787,500	1,091,059
	<u>2,457,500</u>	<u>1,394,801</u>
Less		
Allowance for uncollectible contributions	(46,382)	(35,826)
Unamortized discount	<u>(155,451)</u>	<u>(200,308)</u>
	<u>\$ 2,255,667</u>	<u>\$ 1,158,667</u>

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 1,437,201	\$ 1,437,201
Buildings and leasehold improvements	29,531,815	22,728,976
Furniture and equipment	5,632,568	5,426,964
Works of art	95,142	95,142
Computer equipment	5,554,693	5,533,822
Vehicles	250,444	223,971
Construction in progress	542,575	892,644
	<u>43,044,438</u>	<u>36,338,720</u>
Less accumulated depreciation and amortization	<u>17,660,828</u>	<u>16,166,813</u>
	<u>\$ 25,383,610</u>	<u>\$ 20,171,907</u>

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 6: Line of Credit

The Organization has a \$9,000,000 revolving bank line of credit expiring in May 2019. At June 30, 2018 and 2017, there was \$1,500,000 and \$0, respectively, borrowed against this line. The line is collateralized by property and equipment. Interest payable monthly at prime subject to a floor rate of 4.125 percent which was 5.00 percent and 4.25 percent on June 30, 2018 and 2017, respectively.

Note 7: Long-term Debt

	<u>2018</u>	<u>2017</u>
Notes payable, bank (A)	\$ 668,468	\$ 694,876
Notes payable, bank (B)	5,520,473	5,709,145
Notes payable, bank (C)	869,773	-
Notes payable, bank (D)	2,760,000	-
Capital lease obligations (E)	-	25,041
	<u>9,818,714</u>	<u>6,429,062</u>
Less current maturities	<u>266,302</u>	<u>240,126</u>
	<u>\$ 9,552,412</u>	<u>\$ 6,188,936</u>

- (A) Due August 25, 2019; payable \$5,014 monthly and one irregular last payment, including interest at 4.88 percent; collateralized by real estate.
- (B) Due February 25, 2021; payable \$39,482 monthly and one irregular last payment, including interest at 5.00 percent; collateralized by real estate.
- (C) Due August 15, 2022; payable \$5,873 monthly and one irregular last payment, including interest at 4.90 percent; collateralized by real estate.
- (D) Due April 3, 2025; payable in monthly amounts ranging from \$13,202 to \$19,508 and one irregular last payment, including interest at 5.74 percent; collateralized by real estate.
- (E) Capital leases with varying imputed interest rates from 4.05 percent to 4.12 percent, due through 2018, collateralized by equipment.

KVC Hospitals, Inc. unconditionally guarantees the indebtedness of KVC Foundation, Inc. for all four outstanding notes payable.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Aggregate annual maturities of long-term debt and payments at June 30, 2018 are:

2019	\$ 266,302
2020	953,955
2021	5,225,410
2022	117,884
2023	840,189
Thereafter	<u>2,414,974</u>
	<u>\$ 9,818,714</u>

Property and equipment include the following property under capital leases:

	<u>2018</u>	<u>2017</u>
Equipment	\$ -	\$ 328,631
Less accumulated depreciation	<u>-</u>	<u>258,193</u>
	<u>\$ -</u>	<u>\$ 70,438</u>

Note 8: Defined Contribution Plan

The Organization has a defined contribution plan (the Plan) covering all full-time employees who have at least one year of service and who are at least 21 years of age. Participants receive 20 percent 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, 2018 and 2017 were approximately \$456,000 and \$472,000, respectively.

Note 9: Defined Benefit Plan

As part of the affiliation with The Niles Home for Children, Inc. on December 31, 2016, the Organization acquired a noncontributory defined benefit pension plan (the Plan) covering all full time employees of Niles with one year or more of continuous service prior to the Plan being frozen effective February 28, 2005. The Organization's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization may determine to be appropriate from time to time. The Plan has a plan year which ends on December 31. The Organization expects to contribute \$20,000 to the Plan in the plan year ending December 31, 2018.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The Organization uses a December 31 measurement date for the Plan. Information about the Plan's funded status follows:

	December 31, 2017	December 31, 2016
Benefit obligation	\$ (1,696,400)	\$ (1,631,061)
Fair value of plan assets	<u>1,425,173</u>	<u>1,262,487</u>
Funded status	<u>\$ (271,227)</u>	<u>\$ (368,574)</u>

The benefit obligation is calculated based on a discount rate of 3.50 percent and 4.0 percent for the periods ended December 31, 2017 and 2016, respectively. The expected return on plan assets of 8.0 percent for both periods ended December 31, 2017 and 2016 was calculated using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations. Plan assets consist of equity and fixed income investments.

Net benefit liability of \$271,227 and \$368,574 is recorded in the consolidated statements of financial position within noncurrent liabilities at June 30, 2018 and 2017, respectively, based on management's opinion that there has not been a material change to the net benefit liability for the period December 31, 2017 to June 30, 2018 or December 31, 2016 to June 30, 2017.

Note 10: Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	2018	2017
Purchase of property and equipment	\$ 1,500,000	\$ 375,000

During 2018 and 2017, net assets were released from donor restrictions by purchasing property and equipment in the amounts of \$375,000 and \$228,856, respectively.

Note 11: Operating Leases

Noncancellable operating leases for office space expire in various years through 2023. 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, 2018 and 2017 was \$2,609,457 and \$2,260,325, respectively.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Noncancellable operating leases for equipment expire in various years through 2022. Total rental expense for equipment leases for the years ended June 30, 2018 and 2017 was \$2,080,565 and \$2,146,475, respectively.

Future minimum lease payments at June 30, 2018 were:

	<u>Equipment</u>	<u>Property</u>	<u>Total</u>
2019	\$ 1,604,227	\$ 1,362,688	\$ 2,966,915
2020	1,119,064	339,727	1,458,791
2021	755,154	269,294	1,024,448
2022	87,526	181,430	268,956
2023	-	44,055	44,055
	<u>\$ 3,565,971</u>	<u>\$ 2,197,194</u>	<u>\$ 5,763,165</u>

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Doubtful Accounts

Estimates of allowances for doubtful accounts are described in *Note 1*.

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.

Note 13: Future Change in Accounting Principle

Not-for-Profit Accounting Standard for Financial Reporting

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities. The Organization expects to first apply the ASU during its fiscal year ending June 30, 2019, through retrospective application to previous years' statements for comparative purposes. The impact of applying the ASU has not yet been determined.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2020 (2018 for not-for-profits that are conduit debt obligors). The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 14: Subsequent Events

Subsequent events have been evaluated through December 13, 2018, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position
June 30, 2018

	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.	The Niles Home for Children, Inc.	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	\$ 740,567	\$ 789,302	\$ 485,673	\$ 81,573	\$ 401,983	\$ 427,451	\$ 377,347	\$ 908,151		\$ 4,212,047
Accounts receivable, net of allowance of \$1,152,000	442,854	9,695,966	1,622,949	525,419	888,949	3,406,412	-	361,710		16,944,259
Due to/from affiliate	2,484,083	(3,866,658)	1,255,390	(372,586)	(219,710)	1,372,207	(667,939)	15,213		-
Contributions receivable	-	-	-	-	-	1,500,000	170,000	-		1,670,000
Grants receivable	93,327	164,440	15,184	1,369,390	63,968	-	-	271,388		1,977,697
Prepaid expenses and other	365,849	123,443	69,606	42,179	29,589	78,720	7,923	2,610		719,919
Total current assets	<u>4,126,680</u>	<u>6,906,493</u>	<u>3,448,802</u>	<u>1,645,975</u>	<u>1,164,779</u>	<u>6,784,790</u>	<u>(112,669)</u>	<u>1,559,072</u>		<u>25,523,922</u>
Property and Equipment, Net	<u>973,458</u>	<u>790,260</u>	<u>25,940</u>	<u>4,452</u>	<u>46,895</u>	<u>1,342,031</u>	<u>18,224,137</u>	<u>3,976,437</u>		<u>25,383,610</u>
Contributions Receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,667</u>	<u>-</u>		<u>585,667</u>
Other Assets										
Goodwill	-	-	-	545,000	-	-	-	-		545,000
Deposits and other assets	565,377	171,689	11,735	19,054	9,597	26,200	-	-		803,652
	<u>565,377</u>	<u>171,689</u>	<u>11,735</u>	<u>564,054</u>	<u>9,597</u>	<u>26,200</u>	<u>-</u>	<u>-</u>		<u>1,348,652</u>
Total assets	<u>\$ 5,665,515</u>	<u>\$ 7,868,442</u>	<u>\$ 3,486,477</u>	<u>\$ 2,214,481</u>	<u>\$ 1,221,271</u>	<u>\$ 8,153,021</u>	<u>\$ 18,697,135</u>	<u>\$ 5,535,509</u>	<u>\$ -</u>	<u>\$ 52,841,851</u>

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position (Continued)
June 30, 2018

	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.	The Niles Home for Children, Inc.	Eliminations	Consolidated
Current Liabilities										
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,302	\$ -		\$ 266,302
Line of credit	1,500,000	-	-	-	-	-	-	-		1,500,000
Accounts payable	400,390	1,624,997	16,455	133,994	266,889	390,889	-	62,647		2,896,261
Accrued salaries	328,629	1,771,179	353,014	492,669	159,410	774,163	-	97,816		3,976,880
Accrued compensated absences	207,923	889,661	207,745	258,515	88,451	471,503	-	67,798		2,191,596
Other accrued expenses	779,046	3,201,477	408,933	169,660	40,308	366,517	33,870	27,678		5,027,489
Deferred revenue	-	1,511,679	1,828	14,512	312	38,220	53,500	118,390		1,738,441
Total current liabilities	3,215,988	8,998,993	987,975	1,069,350	555,370	2,041,292	353,672	374,329		17,596,969
Long-term Debt	-	-	-	-	-	-	9,552,412	-		9,552,412
Net Pension Liability	-	-	-	-	-	-	-	276,360		276,360
Total liabilities	3,215,988	8,998,993	987,975	1,069,350	555,370	2,041,292	9,906,084	650,689		27,425,741
Net Assets										
Unrestricted	2,449,527	(1,130,551)	2,498,502	1,145,131	665,901	4,611,729	8,791,051	4,884,820		23,916,110
Temporarily restricted	-	-	-	-	-	1,500,000	-	-		1,500,000
Total net assets	2,449,527	(1,130,551)	2,498,502	1,145,131	665,901	6,111,729	8,791,051	4,884,820		25,416,110
Total liabilities and net assets	\$ 5,665,515	\$ 7,868,442	\$ 3,486,477	\$ 2,214,481	\$ 1,221,271	\$ 8,153,021	\$ 18,697,135	\$ 5,535,509	\$ -	\$ 52,841,851

KVC Health Systems, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2018

	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.	The Niles Home for Children, Inc.	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support										
Contract reintegration and adoption services	\$ -	\$ 91,156,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,174	\$ -	\$ 91,560,023
Child placing services	-	1,095,781	10,535,426	728,243	6,707,626	-	-	-	-	19,067,076
Inpatient services	-	-	-	-	-	20,345,681	-	-	-	20,345,681
Family preservation/in-home services	-	6,877,902	683,384	10,718,326	3,236,776	-	-	589,489	-	22,105,877
Contributions and grants	338,764	783,098	686,111	803,326	304,380	154,491	558,514	727,048	-	4,355,732
Interest income	446	2,044	363	608	358	542	-	160	-	4,521
Miscellaneous	449,760	188,939	144,537	(154,516)	48,153	852,909	-	236,274	-	1,766,056
Management fee	13,485,597	-	1,889,308	-	-	-	-	-	(15,374,905)	-
Intercompany services	-	(3,114,439)	-	-	-	3,035,839	-	78,600	-	-
Intercompany rent	-	-	-	-	-	-	1,939,510	-	(1,939,510)	-
Total unrestricted revenues, gains and other support	<u>14,274,567</u>	<u>96,990,174</u>	<u>13,939,129</u>	<u>12,095,987</u>	<u>10,297,293</u>	<u>24,389,462</u>	<u>2,498,024</u>	<u>2,034,745</u>	<u>(17,314,415)</u>	<u>159,204,966</u>
Operating Expenses										
Client care	-	89,551,674	12,390,669	11,634,431	8,996,618	22,881,464	-	2,440,091	(200,710)	147,694,237
Administrative and general	14,267,660	10,285,141	935,566	980,592	804,519	2,310,532	1,211,490	256,911	(17,113,705)	13,938,706
Fundraising	138,582	-	-	-	-	-	202,166	-	-	340,748
Total operating expenses	<u>14,406,242</u>	<u>99,836,815</u>	<u>13,326,235</u>	<u>12,615,023</u>	<u>9,801,137</u>	<u>25,191,996</u>	<u>1,413,656</u>	<u>2,697,002</u>	<u>(17,314,415)</u>	<u>161,973,691</u>
Operating Income (Loss)	(131,675)	(2,846,641)	612,894	(519,036)	496,156	(802,534)	1,084,368	(662,257)	-	(2,768,725)
Other Income (Expense)										
Intercompany transfers	(1,204)	(1,695,323)	718,594	(238,616)	(1,122,409)	1,567,210	(1,254,537)	2,026,285	-	-
Excess (Deficiency) of Revenues Over Expenses	(132,879)	(4,541,964)	1,331,488	(757,652)	(626,253)	764,676	(170,169)	1,364,028	-	(2,768,725)
Contributions received for property acquisitions	-	-	-	-	-	540,895	-	-	-	540,895
Net assets released from restrictions for property acquisitions	-	-	-	-	-	-	375,000	-	-	375,000
Change in Unrestricted Net Assets	(132,879)	(4,541,964)	1,331,488	(757,652)	(626,253)	1,305,571	204,831	1,364,028	-	(1,852,830)
Temporarily Restricted Net Assets										
Contributions received for property acquisitions	-	-	-	-	-	1,500,000	-	-	-	1,500,000
Net assets released from restrictions for property acquisitions	-	-	-	-	-	-	(375,000)	-	-	(375,000)
Change in Net Assets	(132,879)	(4,541,964)	1,331,488	(757,652)	(626,253)	2,805,571	(170,169)	1,364,028	-	(727,830)
Net Assets, Beginning of Year	2,582,406	3,411,413	1,167,014	1,902,783	1,292,154	3,306,158	8,961,220	3,520,792	-	26,143,940
Net Assets, End of Year	<u>\$ 2,449,527</u>	<u>\$ (1,130,551)</u>	<u>\$ 2,498,502</u>	<u>\$ 1,145,131</u>	<u>\$ 665,901</u>	<u>\$ 6,111,729</u>	<u>\$ 8,791,051</u>	<u>\$ 4,884,820</u>	<u>\$ -</u>	<u>\$ 25,416,110</u>

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position
June 30, 2017

	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.	The Niles Home for Children, Inc.	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	\$ 1,193,452	\$ 1,490,400	\$ 951,066	\$ 632,072	\$ 922,611	\$ 1,055,444	\$ 509,365	\$ 879,473		\$ 7,633,883
Accounts receivable, net of allowance of \$874,000	517,859	8,366,489	829,746	631,039	800,172	3,330,525	-	157,574		14,633,404
Due to/from affiliate	(11,559)	-	11,559	-	-	-	-	-		-
Contributions receivable	-	-	-	-	-	-	178,742	125,000		303,742
Grants receivable	199,777	83,306	41,131	1,350,510	-	-	-	-		1,674,724
Prepaid expenses and other	497,064	389,976	72,690	48,213	72,618	94,653	39,128	4,428		1,218,770
Total current assets	<u>2,396,593</u>	<u>10,330,171</u>	<u>1,906,192</u>	<u>2,661,834</u>	<u>1,795,401</u>	<u>4,480,622</u>	<u>727,235</u>	<u>1,166,475</u>		<u>25,464,523</u>
Property and Equipment, Net	<u>1,215,618</u>	<u>1,029,841</u>	<u>29,107</u>	<u>-</u>	<u>63,299</u>	<u>711,796</u>	<u>13,863,541</u>	<u>3,258,705</u>		<u>20,171,907</u>
Contributions Receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854,925</u>	<u>-</u>		<u>854,925</u>
Other Assets										
Goodwill	-	-	-	545,000	-	-	-	-		545,000
Deposits and other assets	417,386	166,092	11,035	24,023	9,597	6,200	20,000	-		654,333
	<u>417,386</u>	<u>166,092</u>	<u>11,035</u>	<u>569,023</u>	<u>9,597</u>	<u>6,200</u>	<u>20,000</u>	<u>-</u>		<u>1,199,333</u>
Total assets	<u>\$ 4,029,597</u>	<u>\$ 11,526,104</u>	<u>\$ 1,946,334</u>	<u>\$ 3,230,857</u>	<u>\$ 1,868,297</u>	<u>\$ 5,198,618</u>	<u>\$ 15,465,701</u>	<u>\$ 4,425,180</u>	<u>\$ -</u>	<u>\$ 47,690,688</u>

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position (Continued)
June 30, 2017

	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.	The Niles Home for Children, Inc.	Eliminations	Consolidated
Current Liabilities										
Current maturities of long-term debt	\$ 2,703	\$ 15,219	\$ -	\$ -	\$ 1,798	\$ 4,434	\$ 215,085	\$ 887		\$ 240,126
Accounts payable	96,032	1,686,000	44,749	260,671	314,636	72,567	31,628	5,307		2,511,590
Accrued salaries	350,505	1,698,258	260,116	499,755	136,677	610,899	-	60,990		3,617,200
Accrued compensated absences	231,496	848,820	135,300	246,857	85,565	440,719	-	41,463		2,030,220
Other accrued expenses	754,928	3,059,110	319,679	176,512	37,017	713,397	5,322	352,167		5,418,132
Deferred revenue	11,527	807,284	19,476	144,279	450	50,444	63,510	75,000		1,171,970
Total current liabilities	1,447,191	8,114,691	779,320	1,328,074	576,143	1,892,460	315,545	535,814		14,989,238
Long-term Debt	-	-	-	-	-	-	6,188,936	-		6,188,936
Net Pension Liability	-	-	-	-	-	-	-	368,574		368,574
Total liabilities	1,447,191	8,114,691	779,320	1,328,074	576,143	1,892,460	6,504,481	904,388		21,546,748
Net Assets										
Unrestricted	2,582,406	3,411,413	1,167,014	1,902,783	1,292,154	3,306,158	8,961,220	3,145,792		25,768,940
Temporarily restricted	-	-	-	-	-	-	-	375,000		375,000
Total net assets	2,582,406	3,411,413	1,167,014	1,902,783	1,292,154	3,306,158	8,961,220	3,520,792		26,143,940
Total liabilities and net assets	\$ 4,029,597	\$ 11,526,104	\$ 1,946,334	\$ 3,230,857	\$ 1,868,297	\$ 5,198,618	\$ 15,465,701	\$ 4,425,180	\$ -	\$ 47,690,688

KVC Health Systems, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2017

	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.	The Niles Home for Children, Inc.	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support										
Contract reintegration and adoption services	\$ -	\$ 83,605,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,859	\$ -	\$ 83,757,058
Child placing services	-	835,992	7,889,622	459,240	7,239,121	-	-	-	-	16,423,975
Inpatient services	-	-	-	-	-	21,703,959	-	-	-	21,703,959
Family preservation/in-home services	-	5,973,852	512,930	10,293,142	1,330,272	-	-	-	-	18,110,196
Contributions and grants	242,902	795,800	1,030,139	337,452	14,158	51,031	605,076	503,281	-	3,579,839
Interest income	323	3,383	162	548	580	783	-	171	-	5,950
Miscellaneous	474,367	111,021	10,199	78,174	72,532	582,296	-	141,719	-	1,470,308
Management fee	10,824,695	4,000	11,559	-	-	-	-	-	(10,840,254)	-
Intercompany services	(11,135)	(1,946,095)	-	-	-	1,957,230	-	-	-	-
Intercompany rent	-	-	-	-	-	-	1,765,200	-	(1,765,200)	-
Total unrestricted revenues, gains and other support	<u>11,531,152</u>	<u>89,383,152</u>	<u>9,454,611</u>	<u>11,168,556</u>	<u>8,656,663</u>	<u>24,295,299</u>	<u>2,370,276</u>	<u>797,030</u>	<u>(12,605,454)</u>	<u>145,051,285</u>
Operating Expenses										
Client care	-	82,317,366	7,873,131	10,560,245	7,575,600	19,740,314	-	607,036	(549,800)	128,123,892
Administrative and general	11,684,657	8,651,392	659,214	925,342	610,949	1,767,909	1,087,964	104,025	(12,054,240)	13,437,212
Fundraising	137,168	-	83	-	3,822	-	149,736	-	(1,414)	289,395
Total operating expenses	<u>11,821,825</u>	<u>90,968,758</u>	<u>8,532,428</u>	<u>11,485,587</u>	<u>8,190,371</u>	<u>21,508,223</u>	<u>1,237,700</u>	<u>711,061</u>	<u>(12,605,454)</u>	<u>141,850,499</u>
Operating Income (Loss)	<u>(290,673)</u>	<u>(1,585,606)</u>	<u>922,183</u>	<u>(317,031)</u>	<u>466,292</u>	<u>2,787,076</u>	<u>1,132,576</u>	<u>85,969</u>	<u>-</u>	<u>3,200,786</u>
Other Income (Expense)										
Contribution in affiliation	-	-	-	-	-	-	-	1,519,277	-	1,519,277
Intercompany transfers	(151,793)	2,578,953	(306,683)	850,778	44,905	(2,930,823)	(1,397,027)	1,311,690	-	-
Excess (Deficiency) of Revenues Over Expenses	<u>(442,466)</u>	<u>993,347</u>	<u>615,500</u>	<u>533,747</u>	<u>511,197</u>	<u>(143,747)</u>	<u>(264,451)</u>	<u>2,916,936</u>	<u>-</u>	<u>4,720,063</u>
Net assets released from restrictions for property acquisitions	-	-	-	-	-	-	-	228,856	-	228,856
Change in Unrestricted Net Assets	<u>(442,466)</u>	<u>993,347</u>	<u>615,500</u>	<u>533,747</u>	<u>511,197</u>	<u>(143,747)</u>	<u>(264,451)</u>	<u>3,145,792</u>	<u>-</u>	<u>4,948,919</u>
Temporarily Restricted Net Assets										
Contribution in affiliation	-	-	-	-	-	-	-	228,856	-	228,856
Contributions received for property acquisitions	-	-	-	-	-	-	-	375,000	-	375,000
Assets released from restriction	-	-	-	-	-	-	-	(228,856)	-	(228,856)
Change in Net Assets	<u>(442,466)</u>	<u>993,347</u>	<u>615,500</u>	<u>533,747</u>	<u>511,197</u>	<u>(143,747)</u>	<u>(264,451)</u>	<u>3,520,792</u>	<u>-</u>	<u>5,323,919</u>
Net Assets, Beginning of Year	<u>3,024,872</u>	<u>2,418,066</u>	<u>551,514</u>	<u>1,369,036</u>	<u>780,957</u>	<u>3,449,905</u>	<u>9,225,671</u>	<u>-</u>	<u>-</u>	<u>20,820,021</u>
Net Assets, End of Year	<u>\$ 2,582,406</u>	<u>\$ 3,411,413</u>	<u>\$ 1,167,014</u>	<u>\$ 1,902,783</u>	<u>\$ 1,292,154</u>	<u>\$ 3,306,158</u>	<u>\$ 8,961,220</u>	<u>\$ 3,520,792</u>	<u>\$ -</u>	<u>\$ 26,143,940</u>

KVC Health Systems, Inc.
Consolidated Functional Expenses
Year Ended June 30, 2018
(with Comparative Totals for 2017)

	Client Care	Administrative and General	Fund Raising	Total Expenses	2017 Total Expenses
Salaries and wages	\$ 56,477,297	\$ 5,998,907	\$ 118,435	\$ 62,594,639	\$ 54,859,876
Payroll taxes	4,431,461	437,855	8,683	4,877,999	4,181,294
Employee benefits	7,549,951	619,676	11,464	8,181,091	6,931,515
Total salaries, wages and related expenses	<u>68,458,709</u>	<u>7,056,438</u>	<u>138,582</u>	<u>75,653,729</u>	<u>65,972,685</u>
Office supplies and printing	332,604	100,816	-	433,420	341,550
Copier and fax expense	218,054	39,548	-	257,602	181,833
Postage	109,412	32,126	-	141,538	168,338
Employee recruitment and advertising	112,502	171,510	180	284,192	267,941
Licenses and dues	514,979	433,488	40	948,507	797,908
Insurance	258,097	1,060,128	-	1,318,225	922,505
Travel	2,183,927	277,743	-	2,461,670	2,203,247
Telephone	1,088,503	138,370	-	1,226,873	948,252
Professional fees	123,405	685,120	-	808,525	843,121
Contract labor	1,131,209	29,958	-	1,161,167	1,000,851
Contract physicians	3,050,458	-	-	3,050,458	2,462,302
Contract unallowable expenses	173,193	28,247	-	201,440	100,474
Consulting and other contractual expenses	1,988,995	1,297,679	2,847	3,289,521	2,519,519
Staff development	352,591	464,111	-	816,702	682,460
Promotion	96,766	20,291	-	117,057	69,728
Office rent	3,815,429	733,538	-	4,548,967	4,025,525
Equipment expenses	551,173	374,819	-	925,992	571,423
Network services	311,615	325,476	-	637,091	903,868
Maintenance and repairs	567,536	134,892	-	702,428	407,110
Safety services and materials	240,195	29,220	-	269,415	202,760
Food	832,731	7,899	-	840,630	659,676
Food – outings	174,896	86,433	-	261,329	159,672
Housekeeping supplies	68,041	13,138	-	81,179	69,495
Miscellaneous housekeeping	648,023	103,911	-	751,934	640,596
Utilities	1,049,393	156,292	-	1,205,685	658,890
Payments to foster parents	26,105,526	-	-	26,105,526	23,137,529
Subcontractor – foster home payments	21,301,679	-	-	21,301,679	19,436,523
Foster family training	270,392	129	-	270,521	511,365
Child care payments	4,645,611	-	-	4,645,611	4,296,400
Incidentals	608	-	-	608	533
Medical supplies	877,319	-	-	877,319	728,825
Vehicle expenses and repairs	801,861	20,494	-	822,355	634,749
Vehicle rental	1,894,856	38,680	-	1,933,536	2,215,573
General program supplies	387,121	28,329	-	415,450	270,310
Clothing	956,741	-	-	956,741	977,779
Miscellaneous	49,338	113,714	183,804	346,856	353,260
Interest	277	417,949	-	418,226	335,569
Bad debts	-	324,962	-	324,962	199,994
Property tax expense	33,395	6,892	15,295	55,582	45,577
Cost of in-kind donated goods	3,763	-	-	3,763	2,681
Medicaid assessments	14,643	-	-	14,643	7,322
Flex fund	1,409,426	325	-	1,409,751	1,145,919
Loss on disposition of assets	597	-	-	597	-
Kids activity fund	120,778	-	-	120,778	142,159
Expenses before depreciation, amortization and intercompany fees	<u>147,326,367</u>	<u>14,752,665</u>	<u>340,748</u>	<u>162,419,780</u>	<u>142,223,796</u>
Depreciation and amortization	568,580	926,041	-	1,494,621	1,391,903
Intercompany management and residential fees	-	15,373,705	-	15,373,705	10,840,254
Eliminations	<u>(200,710)</u>	<u>(17,113,705)</u>	<u>-</u>	<u>(17,314,415)</u>	<u>(12,605,454)</u>
Totals, Year Ended June 30, 2018	<u>\$ 147,694,237</u>	<u>\$ 13,938,706</u>	<u>\$ 340,748</u>	<u>\$ 161,973,691</u>	<u>\$ 141,850,499</u>
Totals, Year Ended June 30, 2017	<u>\$ 128,123,892</u>	<u>\$ 13,437,212</u>	<u>\$ 289,395</u>	<u>\$ 141,850,499</u>	<u>-</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Health Systems, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ -	\$ 5,569,082	\$ 118,435	\$ 5,687,517
Payroll taxes	-	408,321	8,683	417,004
Employee benefits	-	539,060	11,464	550,524
Total salaries, wages and related expenses	-	6,516,463	138,582	6,655,045
Office supplies and printing	-	75,460	-	75,460
Copier and fax expense	-	37,364	-	37,364
Postage	-	28,914	-	28,914
Employee recruitment and advertising	-	170,330	-	170,330
Licenses and dues	-	363,929	-	363,929
Insurance	-	78,351	-	78,351
Travel	-	261,814	-	261,814
Telephone	-	114,693	-	114,693
Professional fees	-	679,610	-	679,610
Contract labor	-	29,958	-	29,958
Contract physicians	-	-	-	-
Contract unallowable expenses	-	-	-	-
Consulting and other contractual expenses	-	1,273,116	-	1,273,116
Staff development	-	458,188	-	458,188
Promotion	-	17,718	-	17,718
Office rent	-	590,560	-	590,560
Equipment expenses	-	363,018	-	363,018
Network services	-	321,640	-	321,640
Maintenance and repairs	-	95,889	-	95,889
Safety services and materials	-	26,264	-	26,264
Food	-	7,860	-	7,860
Food – outings	-	76,056	-	76,056
Housekeeping supplies	-	11,510	-	11,510
Miscellaneous housekeeping	-	93,161	-	93,161
Utilities	-	145,984	-	145,984
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	17,308	-	17,308
Vehicle rental	-	35,375	-	35,375
General program supplies	-	26,724	-	26,724
Clothing	-	-	-	-
Miscellaneous	-	100,490	-	100,490
Interest	-	22,195	-	22,195
Bad debts	-	-	-	-
Property tax expense	-	-	-	-
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Loss on disposition of assets	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	-	12,039,942	138,582	12,178,524
Depreciation and amortization	-	339,610	-	339,610
Intercompany management and residential fees	-	1,888,108	-	1,888,108
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	\$ -	\$ 14,267,660	\$ 138,582	\$ 14,406,242

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral HealthCare, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 27,955,481	\$ -	\$ -	\$ 27,955,481
Payroll taxes	2,203,318	-	-	2,203,318
Employee benefits	3,867,182	-	-	3,867,182
Total salaries, wages and related expenses	34,025,981	-	-	34,025,981
Office supplies and printing	151,657	1	-	151,658
Copier and fax expense	142,067	-	-	142,067
Postage	76,858	1	-	76,859
Employee recruitment and advertising	5,288	-	-	5,288
Licenses and dues	197,279	50	-	197,329
Insurance	78,109	458,449	-	536,558
Travel	1,190,719	-	-	1,190,719
Telephone	641,859	-	-	641,859
Professional fees	67,600	1,651	-	69,251
Contract labor	50,409	-	-	50,409
Contract physicians	331,689	-	-	331,689
Contract unallowable expenses	38,268	23,739	-	62,007
Consulting and other contractual expenses	791,758	20,295	-	812,053
Staff development	14,674	868	-	15,542
Promotion	11,818	-	-	11,818
Office rent	1,863,728	-	-	1,863,728
Equipment expenses	42,965	-	-	42,965
Network services	165,842	-	-	165,842
Maintenance and repairs	144,721	-	-	144,721
Safety services and materials	108,161	160	-	108,321
Food	85,725	39	-	85,764
Food – outings	34,602	-	-	34,602
Housekeeping supplies	28,074	-	-	28,074
Miscellaneous housekeeping	171,755	238	-	171,993
Utilities	347,895	1,375	-	349,270
Payments to foster parents	17,830,023	-	-	17,830,023
Subcontractor – foster home payments	21,301,679	-	-	21,301,679
Foster family training	241,961	-	-	241,961
Child care payments	4,645,611	-	-	4,645,611
Incidentals	608	-	-	608
Medical supplies	112,695	-	-	112,695
Vehicle expenses and repairs	635,647	-	-	635,647
Vehicle rental	1,569,479	-	-	1,569,479
General program supplies	92,356	185	-	92,541
Clothing	929,022	-	-	929,022
Miscellaneous	15,903	371	-	16,274
Interest	103	-	-	103
Bad debts	-	54,565	-	54,565
Property tax expense	32,441	53	-	32,494
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	982,440	-	-	982,440
Loss on disposition of assets	-	-	-	-
Kids activity fund	112,623	-	-	112,623
Expenses before depreciation, amortization and intercompany fees	89,312,092	562,040	-	89,874,132
Depreciation and amortization	239,582	-	-	239,582
Intercompany management and residential fees	-	9,723,101	-	9,723,101
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	\$ 89,551,674	\$ 10,285,141	\$ -	\$ 99,836,815

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare West Virginia, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 5,284,184	\$ 78,012	\$ -	\$ 5,362,196
Payroll taxes	379,696	4,785	-	384,481
Employee benefits	701,498	7,472	-	708,970
Total salaries, wages and related expenses	<u>6,365,378</u>	<u>90,269</u>	<u>-</u>	<u>6,455,647</u>
Office supplies and printing	66,883	282	-	67,165
Copier and fax expense	25,010	1,253	-	26,263
Postage	8,277	231	-	8,508
Employee recruitment and advertising	86,356	95	-	86,451
Licenses and dues	28,753	4,417	-	33,170
Insurance	173,136	77,160	-	250,296
Travel	365,609	2,356	-	367,965
Telephone	133,309	2,571	-	135,880
Professional fees	1,977	-	-	1,977
Contract labor	-	-	-	-
Contract physicians	4,265	-	-	4,265
Contract unallowable expenses	36,478	699	-	37,177
Consulting and other contractual expenses	499,570	(86)	-	499,484
Staff development	85,869	33	-	85,902
Promotion	45,725	-	-	45,725
Office rent	416,396	11,037	-	427,433
Equipment expenses	214,082	404	-	214,486
Network services	37,884	792	-	38,676
Maintenance and repairs	31,651	-	-	31,651
Safety services and materials	40,378	310	-	40,688
Food	16,220	-	-	16,220
Food – outings	66,447	519	-	66,966
Housekeeping supplies	1,840	22	-	1,862
Miscellaneous housekeeping	18,819	-	-	18,819
Utilities	456,577	-	-	456,577
Payments to foster parents	2,710,692	-	-	2,710,692
Subcontractor – foster home payments	-	-	-	-
Foster family training	8,121	-	-	8,121
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	102,837	133	-	102,970
Vehicle rental	253,772	30	-	253,802
General program supplies	56,825	-	-	56,825
Clothing	27,558	-	-	27,558
Miscellaneous	175	2,034	-	2,209
Interest	-	-	-	-
Bad debts	-	9,000	-	9,000
Property tax expense	106	-	-	106
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Loss on disposition of assets	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>12,386,975</u>	<u>203,561</u>	<u>-</u>	<u>12,590,536</u>
Depreciation and amortization	3,694	-	-	3,694
Intercompany management and residential fees	-	732,005	-	732,005
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	<u>\$ 12,390,669</u>	<u>\$ 935,566</u>	<u>\$ -</u>	<u>\$ 13,326,235</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Kentucky, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 7,752,360	\$ 259,828	\$ -	\$ 8,012,188
Payroll taxes	598,979	19,282	-	618,261
Employee benefits	1,092,369	46,568	-	1,138,937
Total salaries, wages and related expenses	<u>9,443,708</u>	<u>325,678</u>	<u>-</u>	<u>9,769,386</u>
Office supplies and printing	29,291	25,003	-	54,294
Copier and fax expense	896	780	-	1,676
Postage	2,068	2,963	-	5,031
Employee recruitment and advertising	5,010	1,085	-	6,095
Licenses and dues	10,821	54,580	-	65,401
Insurance	-	130,164	-	130,164
Travel	430,489	13,377	-	443,866
Telephone	161,452	17,907	-	179,359
Professional fees	2,945	-	-	2,945
Contract labor	-	-	-	-
Contract physicians	71,791	-	-	71,791
Contract unallowable expenses	60,635	3,729	-	64,364
Consulting and other contractual expenses	25,649	1,404	-	27,053
Staff development	171,061	5,022	-	176,083
Promotion	20,429	2,573	-	23,002
Office rent	298,979	19,988	-	318,967
Equipment expenses	7,089	6,896	-	13,985
Network services	(8,279)	1,269	-	(7,010)
Maintenance and repairs	11,545	38,925	-	50,470
Safety services and materials	2,097	2,419	-	4,516
Food	-	-	-	-
Food – outings	13,612	9,858	-	23,470
Housekeeping supplies	265	1,606	-	1,871
Miscellaneous housekeeping	17,132	10,397	-	27,529
Utilities	18,660	8,735	-	27,395
Payments to foster parents	357,389	-	-	357,389
Subcontractor – foster home payments	-	-	-	-
Foster family training	2,760	129	-	2,889
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	9,732	642	-	10,374
Vehicle rental	15,971	210	-	16,181
General program supplies	20,966	1,282	-	22,248
Clothing	-	-	-	-
Miscellaneous	5,279	1,102	-	6,381
Interest	-	-	-	-
Bad debts	-	(53,000)	-	(53,000)
Property tax expense	-	-	-	-
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	424,989	325	-	425,314
Loss on disposition of assets	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>11,634,431</u>	<u>635,048</u>	<u>-</u>	<u>12,269,479</u>
Depreciation and amortization	-	-	-	-
Intercompany management and residential fees	-	345,544	-	345,544
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	<u>\$ 11,634,431</u>	<u>\$ 980,592</u>	<u>\$ -</u>	<u>\$ 12,615,023</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Nebraska, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 2,391,031	\$ 91,985	\$ -	\$ 2,483,016
Payroll taxes	170,823	5,573	-	176,396
Employee benefits	328,538	26,576	-	355,114
Total salaries, wages and related expenses	<u>2,890,392</u>	<u>124,134</u>	-	<u>3,014,526</u>
Office supplies and printing	27,375	70	-	27,445
Copier and fax expense	13,157	151	-	13,308
Postage	13,429	17	-	13,446
Employee recruitment and advertising	348	-	-	348
Licenses and dues	13,509	2,432	-	15,941
Insurance	-	68,148	-	68,148
Travel	138,244	196	-	138,440
Telephone	76,040	3,199	-	79,239
Professional fees	7,907	674	-	8,581
Contract labor	250	-	-	250
Contract physicians	-	-	-	-
Contract unallowable expenses	16,286	80	-	16,366
Consulting and other contractual expenses	38,468	-	-	38,468
Staff development	47,377	-	-	47,377
Promotion	16,490	-	-	16,490
Office rent	338,035	11,953	-	349,988
Equipment expenses	21,192	560	-	21,752
Network services	10,043	1,775	-	11,818
Maintenance and repairs	4,541	78	-	4,619
Safety services and materials	2,001	67	-	2,068
Food	896	-	-	896
Food – outings	15,070	-	-	15,070
Housekeeping supplies	-	-	-	-
Miscellaneous housekeeping	3,987	115	-	4,102
Utilities	8,213	198	-	8,411
Payments to foster parents	5,207,422	-	-	5,207,422
Subcontractor – foster home payments	-	-	-	-
Foster family training	17,550	-	-	17,550
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	9,978	2,411	-	12,389
Vehicle rental	15,213	3,065	-	18,278
General program supplies	16,284	138	-	16,422
Clothing	161	-	-	161
Miscellaneous	7,843	(269)	-	7,574
Interest	12	-	-	12
Bad debts	-	4,000	-	4,000
Property tax expense	409	11	-	420
Cost of in-kind donated goods	283	-	-	283
Medicaid assessments	-	-	-	-
Flex fund	1,997	-	-	1,997
Loss on disposition of assets	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	<u>8,980,402</u>	<u>223,203</u>	-	<u>9,203,605</u>
Depreciation and amortization	16,216	189	-	16,405
Intercompany management and residential fees	-	581,127	-	581,127
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	<u>\$ 8,996,618</u>	<u>\$ 804,519</u>	<u>\$ -</u>	<u>\$ 9,801,137</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Hospitals, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 11,654,410	\$ -	\$ -	\$ 11,654,410
Payroll taxes	959,010	-	-	959,010
Employee benefits	1,410,900	-	-	1,410,900
Total salaries, wages and related expenses	<u>14,024,320</u>	<u>-</u>	<u>-</u>	<u>14,024,320</u>
Office supplies and printing	49,409	-	-	49,409
Copier and fax expense	32,040	-	-	32,040
Postage	7,474	-	-	7,474
Employee recruitment and advertising	14,407	-	-	14,407
Licenses and dues	254,524	-	-	254,524
Insurance	6,852	221,674	-	228,526
Travel	55,329	-	-	55,329
Telephone	49,613	-	-	49,613
Professional fees	32,012	2,080	-	34,092
Contract labor	948,474	-	-	948,474
Contract physicians	2,600,868	-	-	2,600,868
Contract unallowable expenses	21,450	-	-	21,450
Consulting and other contractual expenses	569,059	-	-	569,059
Staff development	27,506	-	-	27,506
Promotion	2,304	-	-	2,304
Office rent	898,291	-	-	898,291
Equipment expenses	251,975	-	-	251,975
Network services	96,412	-	-	96,412
Maintenance and repairs	300,667	-	-	300,667
Safety services and materials	73,172	-	-	73,172
Food	683,147	-	-	683,147
Food – outings	42,690	-	-	42,690
Housekeeping supplies	33,577	-	-	33,577
Miscellaneous housekeeping	429,793	-	-	429,793
Utilities	164,452	-	-	164,452
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	752,944	-	-	752,944
Vehicle expenses and repairs	39,473	-	-	39,473
Vehicle rental	40,421	-	-	40,421
General program supplies	185,764	-	-	185,764
Clothing	-	-	-	-
Miscellaneous	2,033	9,710	-	11,743
Interest	30	-	-	30
Bad debts	-	287,397	-	287,397
Property tax expense	-	-	-	-
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	14,643	-	-	14,643
Flex fund	-	-	-	-
Loss on disposition of assets	-	-	-	-
Kids activity fund	6,794	-	-	6,794
Expenses before depreciation, amortization and intercompany fees	<u>22,711,919</u>	<u>520,861</u>	<u>-</u>	<u>23,232,780</u>
Depreciation and amortization	169,545	-	-	169,545
Intercompany management and residential fees	-	1,789,671	-	1,789,671
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	<u>\$ 22,881,464</u>	<u>\$ 2,310,532</u>	<u>\$ -</u>	<u>\$ 25,191,996</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Foundation, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ -	\$ -	\$ -	\$ -
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Total salaries, wages and related expenses	-	-	-	-
Office supplies and printing	-	-	-	-
Copier and fax expense	-	-	-	-
Postage	-	-	-	-
Employee recruitment and advertising	-	-	180	180
Licenses and dues	-	6,730	40	6,770
Insurance	-	2,045	-	2,045
Travel	-	-	-	-
Telephone	-	-	-	-
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	-	-	-	-
Contract unallowable expenses	-	-	-	-
Consulting and other contractual expenses	-	2,950	2,847	5,797
Staff development	-	-	-	-
Promotion	-	-	-	-
Office rent	-	100,000	-	100,000
Equipment expenses	-	3,941	-	3,941
Network services	-	-	-	-
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	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	-	-	-
Vehicle rental	-	-	-	-
General program supplies	-	-	-	-
Clothing	-	-	-	-
Miscellaneous	-	-	183,804	183,804
Interest	-	395,754	-	395,754
Bad debts	-	-	-	-
Property tax expense	-	6,828	15,295	22,123
Cost of in-kind donated goods	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Loss on disposition of assets	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	-	518,248	202,166	720,414
Depreciation and amortization	-	586,242	-	586,242
Intercompany management and residential fees	-	107,000	-	107,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	\$ -	\$ 1,211,490	\$ 202,166	\$ 1,413,656

KVC Health Systems, Inc.
Functional Expenses – The Niles Home for Children, Inc.
Year Ended June 30, 2018

	Client Care	Administrative and General	Fund Raising	Total Expenses
Salaries and wages	\$ 1,439,831	\$ -	\$ -	\$ 1,439,831
Payroll taxes	119,635	(106)	-	119,529
Employee benefits	149,464	-	-	149,464
Total salaries, wages and related expenses	<u>1,708,930</u>	<u>(106)</u>	<u>-</u>	<u>1,708,824</u>
Office supplies and printing	7,989	-	-	7,989
Copier and fax expense	4,884	-	-	4,884
Postage	1,306	-	-	1,306
Employee recruitment and advertising	1,093	-	-	1,093
Licenses and dues	10,093	1,350	-	11,443
Insurance	-	24,137	-	24,137
Travel	3,537	-	-	3,537
Telephone	26,230	-	-	26,230
Professional fees	10,964	1,105	-	12,069
Contract labor	132,076	-	-	132,076
Contract physicians	41,845	-	-	41,845
Contract unallowable expenses	76	-	-	76
Consulting and other contractual expenses	64,491	-	-	64,491
Staff development	6,104	-	-	6,104
Promotion	-	-	-	-
Office rent	-	-	-	-
Equipment expenses	13,870	-	-	13,870
Network services	9,713	-	-	9,713
Maintenance and repairs	74,411	-	-	74,411
Safety services and materials	14,386	-	-	14,386
Food	46,743	-	-	46,743
Food – outings	2,475	-	-	2,475
Housekeeping supplies	4,285	-	-	4,285
Miscellaneous housekeeping	6,537	-	-	6,537
Utilities	53,596	-	-	53,596
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Child care payments	-	-	-	-
Incidentals	-	-	-	-
Medical supplies	11,680	-	-	11,680
Vehicle expenses and repairs	4,194	-	-	4,194
Vehicle rental	-	-	-	-
General program supplies	14,926	-	-	14,926
Clothing	-	-	-	-
Miscellaneous	18,105	276	-	18,381
Interest	132	-	-	132
Bad debts	-	23,000	-	23,000
Property tax expense	439	-	-	439
Cost of in-kind donated goods	3,480	-	-	3,480
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Loss on disposition of assets	597	-	-	597
Kids activity fund	1,361	-	-	1,361
Expenses before depreciation, amortization and intercompany fees	<u>2,300,548</u>	<u>49,762</u>	<u>-</u>	<u>2,350,310</u>
Depreciation and amortization	139,543	-	-	139,543
Intercompany management and residential fees	-	207,149	-	207,149
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2018	<u>\$ 2,440,091</u>	<u>\$ 256,911</u>	<u>\$ -</u>	<u>\$ 2,697,002</u>

KVC Health Systems, Inc.
Schedule of Revenue and Expenses for
Kansas Department for Children and Families
Reintegration/Foster Care/Adoption Services
Year Ended June 30, 2018

	<u>Region 1</u>	<u>Region 2</u>	<u>Total</u>
Revenue			
DCF contract	\$ 38,663,800	\$ 52,493,049	\$ 91,156,849
Contributions	63,353	77,403	140,756
Total revenue	<u>38,727,153</u>	<u>52,570,452</u>	<u>91,297,605</u>
Expenses			
Salaries and wages (including taxes and benefits)			
Administration	1,025,298	1,500,467	2,525,765
Case management	8,474,585	10,567,945	19,042,530
Total salaries and wages	<u>9,499,883</u>	<u>12,068,412</u>	<u>21,568,295</u>
Placement costs			
Related party Child Placing Agency	9,960,752	12,506,863	22,467,615
Nonrelated party Child Placing Agency (maintenance)	2,875,310	5,720,978	8,596,288
Nonrelated party Child Placing Agency (administration)	1,486,034	3,137,357	4,623,391
Residential and other	7,158,188	6,327,209	13,485,397
Total placement costs	<u>21,480,284</u>	<u>27,692,407</u>	<u>49,172,691</u>
Other costs			
Operating expenses	5,827,787	7,749,131	13,576,918
Mental health	563,944	164,409	728,353
Independent living	11,304	49,570	60,874
Child care	2,474,472	2,171,139	4,645,611
Clothing	401,415	526,031	927,446
Transportation	1,558,785	2,621,772	4,180,557
Other - flex funds and miscellaneous	354,058	434,544	788,602
Other - school and recreational	29,271	72,285	101,556
Other - unallowable	24,311	19,160	43,471
Total other costs	<u>11,245,347</u>	<u>13,808,041</u>	<u>25,053,388</u>
Total expenses	<u>42,225,514</u>	<u>53,568,860</u>	<u>95,794,374</u>
Revenues under expenses	<u>\$ (3,498,361)</u>	<u>\$ (998,408)</u>	<u>\$ (4,496,769)</u>

KVC Health Systems, Inc.
Schedule of Revenue and Expenses for
Kansas Department for Children and Families
Family Preservation Services
Year Ended June 30, 2018

	<u>Region 1</u>	<u>Region 2</u>	<u>Total</u>
Revenue			
DCF contract	\$ 2,935,575	\$ 2,947,857	\$ 5,883,432
Miscellaneous	8,893	956	9,849
Total revenue	<u>2,944,468</u>	<u>2,948,813</u>	<u>5,893,281</u>
Expenses			
Salaries and wages (including taxes and benefits)			
Administration	169,563	294,592	464,155
Case management	1,988,601	2,093,238	4,081,839
Total salaries and wages	<u>2,158,164</u>	<u>2,387,830</u>	<u>4,545,994</u>
Other costs			
Operating expenses	731,977	814,645	1,546,622
Mental health	530	4,450	4,980
Clothing	-	696	696
Other - flex funds and miscellaneous	57,203	136,153	193,356
Other - unallowable	1,595	1,511	3,106
Total other costs	<u>791,305</u>	<u>957,455</u>	<u>1,748,760</u>
Total expenses	<u>2,949,469</u>	<u>3,345,285</u>	<u>6,294,754</u>
Revenues under expenses	<u>\$ (5,001)</u>	<u>\$ (396,472)</u>	<u>\$ (401,473)</u>

KVC Health Systems, Inc.
Schedule of Revenue and Expenses for
Kansas Department for Children and Families
Kansas Child Placing Services
Year Ended June 30, 2018

Revenue

Child placing revenue - intracompany	\$ 22,467,615
Child placing revenue - other	1,094,728
Contributions	159,350
Miscellaneous	127,259
Total revenue	<u>23,848,952</u>

Expenses

Salaries and wages (including taxes and benefits)	
Administration	661,815
Case management	3,071,947
Total salaries and wages	<u>3,733,762</u>

Placement costs

Kansas City region	5,701,450
East region	8,863,831
Noncontract	785,754
Total placement costs	<u>15,351,035</u>

Other Costs

Operating expenses	883,510
Independent living	99
Clothing	880
Other - school and recreational	9,549
Other - flex funds and miscellaneous	5,101
Other - indirect	1,783,729
Other - unallowable	44,551
Total other costs	<u>2,727,419</u>

Total expenses	<u>21,812,216</u>
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Revenues over expenses	<u>\$ 2,036,736</u>
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KVC Health Systems, Inc.
Schedule of System of Care Grant
Agreement Number – G180084
Year Ended June 30, 2018

Revenue	
Grant revenue	\$ 71,295
<hr/>	
Expenses	
Salaries and wages	54,000
Taxes and benefits	13,407
Supplies	283
Travel	1,020
Rent	1,300
Telephone	1,251
Staff development	25
Unallowable	78
Department expense	1,572
Indirect administrative expenses	5,749
Total expenses	<u>78,685</u>
Revenues under expenses	<u>\$ (7,390)</u>

KVC Health Systems, Inc.
Schedule of Safe at Home Grant
Agreement Number – G170753
Year Ended June 30, 2018

Revenue

Grant revenue	\$ 574,933
Other	5,230,788
Total revenue	<u>5,805,721</u>

Expenses

Salaries and wages	1,623,783
Taxes and benefits	334,355
Supplies	181,295
Travel	267,639
Rent	142,705
Telephone	43,159
Staff development	5,733
Contracted expenses	7,134
Unallowable expenses	11,265
Department expense	608,161
Indirect administrative expenses	253,811
Total expenses	<u>3,479,040</u>
Revenues over expenses	<u>\$ 2,326,681</u>

KVC Health Systems, Inc.
Schedule of Recruitment and Training for
Multi-Tiered Foster Family Care Grant
Agreement Number – G170664
Year Ended June 30, 2018

Revenue	
Grant revenue	\$ 16,398
Total revenue	<u>16,398</u>
Expenses	
Salaries and wages	15,469
Taxes and benefits	3,299
Supplies	399
Travel	1,279
Indirect administrative expenses	1,689
Total expenses	<u>22,135</u>
Revenues under expenses	<u><u>\$ (5,737)</u></u>

KVC Health Systems, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Program or Cluster Title	Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount
Child Nutrition Cluster					
School Breakfast Program	U.S. Department of Agriculture passed through the Kansas State Department of Education	10.553	X0925	\$ - \$	74,385
National School Lunch Program	U.S. Department of Agriculture passed through the Kansas State Department of Education	10.555	X0925	-	132,334
After School Snack Program	U.S. Department of Agriculture passed through the Kansas State Department of Education	10.555	X0925	-	16,399
Total Child Nutrition Cluster				-	223,118
Kansas Serves Substance Affected Families	U.S. Department of Health and Human Services passed through the University of Kansas Center for Research, Inc.	93.087	90CU0077-04-00	-	149,657
Kansas Serves Native American Families	U.S. Department of Health and Human Services passed through the University of Kansas Center for Research, Inc.	93.087	90CU0079	-	15,144
Total CFDA # 93.087				-	164,801
Nebraska System of Care Expansion and Sustainability Grant - PACT Team	U.S. Department of Health and Human Services passed through Region VI Behavioral Health Administration	93.104	SM063392	-	45,086
Nebraska System of Care Expansion and Sustainability Grant - PACT Team	U.S. Department of Health and Human Services passed through Region VI Behavioral Health Administration	93.104	SM063393	-	7,645
Nebraska System of Care Expansion and Sustainability Grant - PACT Team	U.S. Department of Health and Human Services passed through Region VI Behavioral Health Administration	93.104	SM063394	-	196,934
Nebraska System of Care Expansion and Sustainability Grant - PACT Team	U.S. Department of Health and Human Services passed through Region VI Behavioral Health Administration	93.104	SM063395	-	33,457
Total CFDA # 93.104				-	283,122
Recruitment and Training for Multi-Tiered Foster Family Care Initiative	U.S. Department of Health and Human Services passed through the West Virginia Department of Health and Human Services	93.603	G170664	-	8,199
Kansas Adoption Permanency Project	U.S. Department of Health and Human Services passed through the University of Kansas Center for Research, Inc.	93.652	90CO1120-05-02	-	59,787
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 16000025615	-	1,043,688
TANF Cluster					
Temporary Assistance for Needy Families Block Grant	U.S. Department of Health and Human Services passed through the Kansas Department for Children and Families	93.558	EVT001558/EVT0001559	-	11,402,339
Title IV-E Foster Care	U.S. Department of Health and Human Services passed through the Kansas Department for Children and Families	93.658	EVT001558/EVT0001559	-	9,417,051
Title IV-E Foster Care	U.S. Department of Health and Human Services passed through the Kentucky Department for Community Based Services	93.658	PON2 736 1700001431	-	515,670
Title IV-E Foster Care	U.S. Department of Health and Human Services passed through the Nebraska Department of Health and Human Services	93.658	G1701NEFOST	-	166,856
Title IV-E Foster Care	U.S. Department of Health and Human Services passed through the West Virginia Department of Health and Human Services	93.658	G170753	-	418,259

KVC Health Systems, Inc.
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Program or Cluster Title	Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount
Recruitment and Training for Multi-Tiered Foster Family Care Initiative	U.S. Department of Health and Human Services passed through the West Virginia Department of Health and Human Services	93.658	G170664	\$ -	\$ 5,919
Total CFDA # 93.658				-	10,523,755
Social Services Block Grant	U.S. Department of Health and Human Services passed through the Kansas Department for Children and Families	93.667	EVT001558/EVT0001559	-	6,761,028
				\$ -	\$ 30,469,837

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of KVC Health Systems, Inc., KVC Behavioral HealthCare, Inc., KVC Behavioral Healthcare West Virginia, Inc., KVC Behavioral Healthcare Kentucky, Inc. and KVC Behavioral Healthcare Nebraska, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

Independent Auditor's Report

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. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2018, 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 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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 consolidated 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*.

Purpose of this Report

The purpose of this report 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 on compliance. This report 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 13, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited KVC Health Systems, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. 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

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, KVC Health Systems, Inc. complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

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 types of 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
December 13, 2018

KVC Health Systems, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

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

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

7. The Organization's major programs were:

Program	CFDA Number
TANF Cluster:	
Temporary Assistance for Needy Families Block Grant	93.558
Title IV-E Foster Care	93.658
Social Services Block Grant	93.667

8. The threshold used to distinguish between Type A and Type B programs was \$914,095.

9. The Organization qualified as a low-risk auditee? Yes No

KVC Health Systems, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding	Questioned Costs
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No matters are reportable.

KVC Health Systems, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Findings Required to be Reported by Uniform Guidance

Reference Number	Summary of Finding	Status
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No matters are reportable.