

KVC Health Systems, Inc.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021 and 2020



KVC Health Systems, Inc.

June 30, 2021 and 2020

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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, 2021 and 2020, and the related consolidated statements of activities, functional expenses 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 consolidated financial position of KVC Health Systems, Inc. as of June 30, 2021 and 2020, 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.

Emphasis of Matter

As described in *Note 2* to the consolidated financial statements, in 2021, KVC Health Systems, Inc. adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Other Matters

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 as 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 Information

The condensed consolidated statements of financial position and statements of activities listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 on our consideration of KVC Health Systems, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of KVC Health Systems, Inc.'s 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 9, 2021

KVC Health Systems, Inc.
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,666,075	\$ 21,269,537
Investments	97,869	63,623
Accounts receivable, net of allowance; 2020 - \$2,484,000	14,582,421	18,794,398
Unbilled receivables	2,686,081	-
Contributions receivable	244,200	428,700
Grants receivable	2,300,866	2,487,537
Prepaid expenses and other	1,260,560	1,175,153
Total current assets	<u>38,838,072</u>	<u>44,218,948</u>
Property and Equipment, Net	<u>31,074,815</u>	<u>32,152,594</u>
Contributions Receivable	<u>230,390</u>	<u>586,366</u>
Other Assets		
Goodwill	545,000	545,000
Funds held for deferred compensation	408,149	155,231
Deposits and other assets	270,974	194,936
	<u>1,224,123</u>	<u>895,167</u>
Total assets	<u>\$ 71,367,400</u>	<u>\$ 77,853,075</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 7,528,881	\$ 11,900,316
Accounts payable	2,064,754	1,822,842
Accrued salaries	4,838,800	4,360,070
Accrued compensated absences	2,439,591	2,419,921
Other accrued expenses	3,773,555	7,299,900
Deferred revenue	292,802	897,507
Total current liabilities	<u>20,938,383</u>	<u>28,700,556</u>
Long-term Debt	12,340,407	17,342,781
Net Pension Liability	-	99,557
Deferred Compensation Obligation	<u>408,149</u>	<u>155,231</u>
Total liabilities	<u>33,686,939</u>	<u>46,298,125</u>
Net Assets		
Without donor restrictions	36,669,294	31,554,950
With donor restrictions	1,011,167	-
Total net assets	<u>37,680,461</u>	<u>31,554,950</u>
Total liabilities and net assets	<u>\$ 71,367,400</u>	<u>\$ 77,853,075</u>

KVC Health Systems, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues, Gains and Other Support Without Donor Restrictions		
Reintegration and adoption services	\$ 33,714,997	\$ 49,639,637
Child placing services	43,424,864	42,208,019
Inpatient services	34,099,873	27,209,506
Family preservation/in-home services	22,733,553	24,400,436
Contributions and grants	6,047,185	4,837,459
Investment income	81,367	5,989
Miscellaneous	3,603,546	3,695,641
	<u>143,705,385</u>	<u>151,996,687</u>
Total revenues, gains and other support without donor restrictions		
Operating Expenses		
Client care	123,986,197	135,756,974
Administrative and general	14,511,998	15,527,350
Fundraising	646,176	149,952
	<u>139,144,371</u>	<u>151,434,276</u>
Total operating expenses		
Operating Income	4,561,014	562,411
Other Income		
Debt forgiveness income	553,330	-
	<u>5,114,344</u>	<u>562,411</u>
Excess of Revenues Over Expenses		
Contributions received for property acquisitions	-	1,641,575
	<u>5,114,344</u>	<u>2,203,986</u>
Change in Net Assets Without Donor Restrictions		
Net Assets With Donor Restrictions		
Contributions received for property acquisitions	1,011,167	-
	<u>6,125,511</u>	<u>2,203,986</u>
Change in Net Assets		
Net Assets, Beginning of Year	<u>31,554,950</u>	<u>29,350,964</u>
Net Assets, End of Year	<u>\$ 37,680,461</u>	<u>\$ 31,554,950</u>

KVC Health Systems, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 55,843,324	\$ 6,435,857	\$ 424,887	\$ 62,704,068
Payroll taxes	4,445,847	460,490	32,138	4,938,475
Employee benefits	9,326,153	850,939	34,126	10,211,218
Total salaries, wages and related expenses	69,615,324	7,747,286	491,151	77,853,761
Office supplies and printing	213,860	61,404	6,456	281,720
Copier and fax expense	199,037	46,243	166	245,446
Postage	70,473	29,235	2,752	102,460
Employee recruitment and advertising	51,351	96,446	4,250	152,047
Licenses and dues	188,082	191,963	20,822	400,867
Insurance	2,750,285	130,168	691	2,881,144
Travel	482,328	24,317	80	506,725
Telephone	1,006,237	160,056	4,493	1,170,786
Professional fees	253,804	714,840	-	968,644
Contract labor	312,600	5,250	-	317,850
Contract physicians	3,954,361	-	-	3,954,361
Contract unallowable expenses	151,416	1,566	12	152,994
Consulting and other contractual expenses	1,114,954	518,954	17,058	1,650,966
Staff development	441,217	434,795	1,229	877,241
Promotion	102,231	19,886	-	122,117
Office rent	2,145,564	95,503	4,069	2,245,136
Equipment expenses	830,903	1,395,458	837	2,227,198
Network services	234,775	445,627	-	680,402
Maintenance and repairs	581,535	80,619	39	662,193
Safety services and materials	240,160	51,303	-	291,463
Food	1,099,985	20	-	1,100,005
Food – outings	58,716	10,709	656	70,081
Housekeeping supplies	125,719	4,484	-	130,203
Miscellaneous housekeeping	1,001,684	34,663	-	1,036,347
Utilities	673,683	124,192	288	798,163
Payments to foster parents	31,877,754	-	-	31,877,754
Subcontractor – foster home payments	91,199	-	-	91,199
Foster family training	154,832	-	-	154,832
Child care payments	54,189	-	-	54,189
Medical supplies	739,464	-	-	739,464
Vehicle expenses and repairs	327,373	10,728	3,157	341,258
Vehicle rental	635,012	64,596	9,500	709,108
General program supplies	723,633	(4,902)	1,821	720,552
Clothing	33,550	-	-	33,550
Miscellaneous	32,811	46,455	76,649	155,915
Interest	93,100	719,759	-	812,859
Bad debts	25,947	(30,724)	-	(4,777)
Property tax expense	7,504	319	-	7,823
Medicaid assessments	21,964	-	-	21,964
Flex fund	680,137	32	-	680,169
Kids activity fund	38,517	-	-	38,517
Expenses before depreciation and intercompany fees	123,437,270	13,231,250	646,176	137,314,696
Depreciation	548,927	1,280,748	-	1,829,675
Intercompany management fees	-	12,564,616	-	12,564,616
Intercompany services	2,650	62,822	-	65,472
Intercompany rent	1,777,823	566,400	-	2,344,223
Eliminations	(1,780,473)	(13,193,838)	-	(14,974,311)
Totals, Year Ended June 30, 2021	\$ 123,986,197	\$ 14,511,998	\$ 646,176	\$ 139,144,371

KVC Health Systems, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 57,514,374	\$ 7,051,694	\$ -	\$ 64,566,068
Payroll taxes	4,459,732	471,089	-	4,930,821
Employee benefits	9,010,892	822,364	-	9,833,256
Total salaries, wages and related expenses	70,984,998	8,345,147	-	79,330,145
Office supplies and printing	340,748	108,685	4,607	454,040
Copier and fax expense	239,781	42,933	-	282,714
Postage	95,307	26,272	343	121,922
Employee recruitment and advertising	25,341	49,049	60	74,450
Licenses and dues	346,950	165,117	1,539	513,606
Insurance	1,304,199	68,421	-	1,372,620
Travel	1,564,291	178,141	-	1,742,432
Telephone	1,050,604	146,988	-	1,197,592
Professional fees	330,913	764,843	-	1,095,756
Contract labor	670,339	87,099	-	757,438
Contract physicians	3,947,982	-	-	3,947,982
Contract unallowable expenses	220,134	1,727	-	221,861
Consulting and other contractual expenses	1,364,949	647,997	12,756	2,025,702
Staff development	473,346	405,833	-	879,179
Promotion	70,376	25,658	3,835	99,869
Office rent	2,343,192	72,234	-	2,415,426
Equipment expenses	761,115	1,441,715	-	2,202,830
Network services	252,161	389,809	-	641,970
Maintenance and repairs	701,372	113,485	-	814,857
Safety services and materials	244,822	31,678	-	276,500
Food	971,764	3,467	-	975,231
Food – outings	128,912	51,400	-	180,312
Housekeeping supplies	144,750	9,893	-	154,643
Miscellaneous housekeeping	1,016,084	68,454	-	1,084,538
Utilities	721,935	153,803	-	875,738
Payments to foster parents	32,113,316	77	-	32,113,393
Subcontractor – foster home payments	5,933,029	-	-	5,933,029
Foster family training	219,178	-	-	219,178
Child care payments	215,185	-	-	215,185
Medical supplies	941,797	-	-	941,797
Vehicle expenses and repairs	109,990	5,940	-	115,930
Vehicle rental	1,467,216	123,382	-	1,590,598
General program supplies	483,558	56,577	-	540,135
Clothing	339,595	72	-	339,667
Miscellaneous	38,308	158,115	126,812	323,235
Interest	22,356	798,122	-	820,478
Bad debts	1,435,000	-	-	1,435,000
Property tax expense	11,248	-	-	11,248
Medicaid assessments	7,322	-	-	7,322
Flex fund	1,017,402	57	-	1,017,459
Kids activity fund	66,719	-	-	66,719
Expenses before depreciation and intercompany fees	134,737,584	14,542,190	149,952	149,429,726
Depreciation	1,019,390	985,160	-	2,004,550
Intercompany management fees	-	12,530,297	10,473	12,540,770
Intercompany services	-	(85,255)	-	(85,255)
Intercompany rent	1,520,882	566,400	-	2,087,282
Eliminations	(1,520,882)	(13,011,442)	(10,473)	(14,542,797)
Totals, Year Ended June 30, 2020	\$ 135,756,974	\$ 15,527,350	\$ 149,952	\$ 151,434,276

KVC Health Systems, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 6,125,511	\$ 2,203,986
Items not requiring (providing) operating activities cash flows		
Depreciation	1,829,675	2,004,550
Loss on disposition of assets	-	42,921
Debt forgiveness	(553,330)	-
Contributions received for property acquisitions	(1,011,167)	(1,641,575)
Provision and discounts on contributions receivable	(30,724)	9,344
Unrealized gains on investments	(29,978)	-
Provision for uncollectible accounts	-	(19,000)
Changes in		
Accounts receivable	4,211,977	(2,396,804)
Unbilled receivables	(2,686,081)	-
Grants receivable	186,671	(276,415)
Prepaid expenses and other current assets	(85,407)	1,000,784
Other assets	(76,038)	51,382
Accounts payable	241,912	(1,443,825)
Accrued salaries	478,730	39,884
Accrued compensated absences	19,670	331,959
Other accrued expenses	(3,526,345)	2,234,662
Net pension liability	(99,557)	(204,400)
Deferred compensation obligation	-	155,231
Deferred revenue	(604,705)	(526,887)
	<u>4,390,814</u>	<u>1,565,797</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(751,896)	(2,954,149)
Purchase of investments	(4,268)	(218,854)
	<u>(756,164)</u>	<u>(3,173,003)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions restricted for acquisition of long-lived assets	1,582,367	2,641,074
Proceeds from issuance of long-term debt	-	22,187,200
Principal payments on long-term debt	(8,820,479)	(3,103,482)
Net payments under line-of-credit agreements	-	(2,000,000)
	<u>(7,238,112)</u>	<u>19,724,792</u>
Net cash provided by (used in) financing activities		
Increase (Decrease) in Cash and Cash Equivalents	(3,603,462)	18,117,586
Cash and Cash Equivalents, Beginning of Year	<u>21,269,537</u>	<u>3,151,951</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,666,075</u>	<u>\$ 21,269,537</u>
Supplemental Cash Flows Information		
Interest paid	\$ 812,859	\$ 820,478

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, Wichita, Kansas and Hays, Kansas.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

KVC Behavioral Healthcare Missouri, Inc.

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

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, 2021 and 2020, cash equivalents consisted primarily of money market accounts with banks. The Organization held approximately \$2,352,000 and \$51,000 of cash in payroll accounts as of June 30, 2021 and 2020, respectively, to fund payroll obligations scheduled to occur within two days following year end.

At June 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$2,102,000.

Accounts Receivable

Accounts receivable includes accounts receivable under Topic 606 (accounts receivable under Topic 606) and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (accounts receivable under Topic 958).

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Accounts receivable under Topic 606 reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Accounts receivable under Topic 606 are due in full when billed.

Accounts receivable under Topic 958 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 under Topic 958 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.

Bad debt expense was not significant for the year ended June 30, 2021.

The composition of accounts receivable and unbilled receivables is as follows:

	<u>2021</u>	<u>2020</u>
Accounts receivable under Topic 606	\$ 4,109,604	\$ 6,662,770
Accounts receivable under Topic 958	<u>10,472,817</u>	<u>12,131,628</u>
Total accounts receivable	14,582,421	18,794,398
Unbilled receivables under Topic 606	<u>2,686,081</u>	<u>-</u>
Total accounts receivable and unbilled receivables	<u>\$ 17,268,502</u>	<u>\$ 18,794,398</u>

Contract Assets – Unbilled Receivables

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care at the end of the year. Contract assets are included in unbilled receivables at June 30, 2021. At June 30, 2020, \$2,879,788 of health care services provided to patients which have not been billed and did not meet the conditions of an unconditional right to payment as of the year then ended are included on the consolidated statements of financial position in accounts receivable, net of allowance.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Investments

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes interest income on investments carried at fair value and is reflected in the consolidated statements of activities. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment acquisitions over \$3,000 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, 2021 and 2020.

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Inpatient Services Revenue

Inpatient services revenue is recognized as the Organization satisfies performance obligations under its contract with patients. Inpatient services revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payer groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payers.

Charity Care

The Organization provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as patient service revenue. The Organization's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$19,000 in 2021.

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. Net assets without donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

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Contributions and Grants

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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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.

Deferred Revenue

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

In March 2020, the United States Senate passed a stimulus bill, titled the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The Organization received approximately \$542,000 of funding as part of the CARES Act, which is to be used to cover health-care related expenses or lost revenues that are attributable to the coronavirus pandemic. This funding is subject to terms and conditions which could result in paybacks as additional clarification to the CARES Act is made available. At June 30, 2021 and 2020, unrecognized grants of approximately \$0 and \$542,000, respectively, are included in deferred revenue on the consolidated statements of financial position.

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 \$2,383,323 and \$5,190,106 as of June 30, 2021 and 2020, 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 \$2,383,323 and \$5,190,106 as of June 30, 2021 and 2020, respectively, of professional liability reserve insurance coverage receivables.

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.

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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 client care, administrative and general and fundraising categories based on time expended, usage and other methods.

Excess of Revenues Over Expenses

The consolidated statements of activities include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess 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 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Change in Accounting Principle

Revenue from Contracts with Customers

On July 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), using a modified-retrospective method of adoption to all contracts with customers (patients) at July 1, 2020.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to patients in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient services to its patients. Adoption of Topic 606 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. Prior to the adoption of Topic 606, the majority of the provision for uncollectible accounts related to patients without insurance, as well as patient responsibility balances for co-pays, co-insurance

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and deductibles for patients with insurance. Under Topic 606, the estimated amounts due from patients for which the Organization does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Organization's estimation of the transaction price or revenue recorded.

The Organization's adoption of Topic 606 did not result in a change to the timing of revenue recognition and had no impact on operating income, overall change in net assets or net cash provided by operating activities.

The following table presents the related effect of the adoption of Topic 606 on the consolidated statements of financial position at June 30, 2021:

	June 30, 2021		
	As Reported	Effect of Adoption	Balances Without Adoption of Topic 606
Accounts receivable	\$ 14,582,421	\$ 2,686,081	\$ 17,268,502
Unbilled receivables	2,686,081	(2,686,081)	-

The following table presents the related effect of the adoption of Topic 606 on the consolidated statement of cash flows at June 30, 2021:

	June 30, 2021		
	As Reported	Effect of Adoption	Balances Without Adoption of Topic 606
Changes in			
Accounts receivable	\$ 4,211,977	\$ (2,686,081)	\$ 1,525,896
Unbilled receivables	(2,686,081)	2,686,081	-

Note 3: Inpatient Services Revenue

Inpatient services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payers several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

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Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospital receiving inpatient acute care services or patients receiving emergent care services. The Organization measures the performance obligation from inpatient admission, or the commencement of an emergent service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the emergent services.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payer pays for that service will be one year or less.

However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

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Third-Party Payers

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicaid. The Organization is reimbursed on a prospective payment methodology for services rendered to beneficiaries.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts that the Organization has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. At June 30, 2021 and 2020, \$171,353 and \$174,164 are included in accounts payable on the consolidated statements of financial position, respectively.

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Patient and Uninsured Payers

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, Medicaid, other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care

For the year ended June 30, 2021, the Organization recognized inpatient services revenue of \$34,099,873, all of which were from services that transfer to the patient over time.

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The composition of inpatient services revenue (but before the provision for uncollectible accounts for the period ended June 30, 2020) by primary payer for the years ended June 30, 2021 and 2020, were approximately:

	2021	2020
Medicaid	\$ 23,031,218	\$ 19,817,141
Blue Cross Blue Shield	4,463,437	2,706,559
Other third-party payers	6,347,479	4,676,913
Self-pay	257,739	8,893
Total	\$ 34,099,873	\$ 27,209,506

Note 4: Revenue Concentrations – KVC Behavioral HealthCare, Inc.

Effective October 1, 2019, the Kansas Department for Children and Families (DCF) restructured the Organization’s contracts into grants for Foster Care Reintegration Services. DCF changed from contracts for each of their four regions to grants for each of the eight catchment areas within the four regions. KVC Kansas was awarded Case Management grants for two of the eight Reintegration catchment areas, compared to their previous contracts for two of the four regions.

Revenues for the Foster Care Reintegration Services from DCF amounted to \$32,995,030 and \$48,980,142, which represents 23 percent and 32 percent of the Organization’s revenues, gains and support without donor restrictions for the years ended June 30, 2021 and 2020, respectively. The 2020 amount includes \$24,159,710 of contract revenue from July 1, 2019 through September 30, 2019 and \$24,820,432 of grant revenue from October 1, 2019 through June 30, 2020. Accounts receivable related to the Foster Care Reintegration Service grants amounted to \$3,975,627 and \$3,493,859 at June 30, 2021 and 2020, respectively.

Effective October 1, 2019, the Organization was awarded a separate Child Placing Agency Services grant from DCF for the period October 1, 2019 through June 30, 2023, with two additional two-year renewal options. Revenues from the Child Placing Agency Services grant amounted to \$27,117,492 and \$22,780,246, which represents 19 percent and 15 percent of the Organization’s revenues, gains and support without donor restrictions for the years ended June 30, 2021 and 2020, respectively.

Revenues for the Family Preservation services from DCF amount to \$259,889 and \$4,449,067, which represents 0.2 percent and 3 percent of the Organization’s revenues, gains and support without donor restrictions for the years ended June 30, 2021 and 2020, respectively. Referrals from the Family Preservation contracts ended on December 31, 2020 with all services finished by June 30, 2021.

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Note 5: Contributions Receivable

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

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 244,200	\$ 428,700
Due in one to five years	242,600	629,300
	<u>486,800</u>	<u>1,058,000</u>
Less		
Unamortized discount	<u>(12,210)</u>	<u>(42,934)</u>
	<u>\$ 474,590</u>	<u>\$ 1,015,066</u>

The Organization has received the following conditional promises to give at June 30, 2021 and 2020 that are not recognized in the consolidated financial statements.

	<u>2021</u>	<u>2020</u>
Conditional grants and contributions upon providing eligible services	<u>\$ 74,135,136</u>	<u>\$ 103,705,138</u>

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Note 6: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 1,409,201	\$ 1,409,201
Buildings and leasehold improvements	39,582,606	38,997,095
Furniture and equipment	6,255,933	6,211,726
Works of art	109,398	109,399
Computer equipment	6,283,973	6,263,995
Vehicles	251,681	251,681
Construction in progress	155,546	65,529
	<u>54,048,338</u>	<u>53,308,626</u>
Less accumulated depreciation and amortization	<u>22,973,523</u>	<u>21,156,032</u>
	<u>\$ 31,074,815</u>	<u>\$ 32,152,594</u>

Note 7: Long-term Debt

	<u>2021</u>	<u>2020</u>
Notes payable, bank (A)	\$ -	\$ 616,803
Notes payable, bank (B)	4,905,216	5,113,506
Notes payable, bank (C)	781,907	812,692
Notes payable, bank (D)	-	589,571
Notes payable, bank (E)	7,198,065	7,423,325
Notes payable, bank (F)	6,984,100	14,687,200
	<u>19,869,288</u>	<u>29,243,097</u>
Less current maturities	<u>7,528,881</u>	<u>11,900,316</u>
	<u>\$ 12,340,407</u>	<u>\$ 17,342,781</u>

- (A) Due August 25, 2024; payable \$5,030 monthly and one irregular last payment, including interest at 4.88 percent; collateralized by real estate. This debt was paid off in 2021.
- (B) Initially due February 25, 2021; payable \$39,482 monthly and one irregular last payment, including interest at 5.00 percent; collateralized by real estate. This was extended in 2021, with a new maturity date of May 1, 2026; payable \$39,482 monthly and one irregular last payment, including interest at 4.00 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.

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- (D) Due September 28, 2023; payable \$4,415 monthly and one irregular last payment, including interest at 5.84 percent; collateralized by real estate. This debt was paid off in 2021.
- (E) Due March 30, 2025; payable \$49,795 monthly and one irregular last payment, including interest at 5.14 percent; collateralized by real estate.
- (F) Due April 18, 2022; this balance consists of notes payable as part of the Paycheck Protection Program (PPP), set up by the United States Small Business Administration (SBA) as allocated in the CARES Act; payable in monthly amounts ranging from \$26,535 to \$179,152, including interest at 1.00 percent; a portion of the loans may be eligible for forgiveness under the CARES Act.

During 2021, the Organization paid back two loans to the SBA, which totaled \$7,155,700. Additionally, one loan in the amount of \$553,330 was forgiven, which included \$5,930 of interest.

KVC Hospitals, Inc. unconditionally guarantees the indebtedness of KVC Foundation, Inc. for outstanding notes payable (B), (C), and (E) above.

Aggregate annual maturities of long-term debt and payments at June 30, 2021 are:

2022	\$ 7,528,881
2023	1,285,800
2024	560,738
2025	6,784,350
2026	3,709,519
	<u> </u>
	<u>\$ 19,869,288</u>

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Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 17,666,075	\$ 21,269,537
Investments	97,869	63,623
Accounts receivable	14,582,421	18,794,398
Unbilled receivables	2,686,081	-
Contributions receivable	474,590	1,015,066
Grants receivable	<u>2,300,866</u>	<u>2,487,537</u>
Total financial assets	<u>37,807,902</u>	<u>43,630,161</u>
Less amounts with donor-imposed restrictions		
Financial assets subject to expenditure for specified purpose	<u>(1,011,167)</u>	<u>-</u>
Net financial assets after donor-imposed restrictions	<u>36,796,735</u>	<u>43,630,161</u>
Less amounts due after one year		
Contributions receivable	<u>(230,390)</u>	<u>(586,366)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 36,566,345</u>	<u>\$ 43,043,795</u>

As part of the Organization's liquidity management plan, management reviews cash and investment balances regularly and compares those to monthly operational requirements. The Organization also has established a line of credit that can be utilized on a short-term basis if needed.

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Note 9: Investments and Investment Return

Investments include:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 416,329	\$ 163,406
Corporate stocks	64,952	12,963
Exchange-traded funds	<u>24,737</u>	<u>42,485</u>
	<u>\$ 506,018</u>	<u>\$ 218,854</u>

Investments are presented in the consolidated statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Investments	\$ 97,869	\$ 63,623
Funds held for deferred compensation	<u>408,149</u>	<u>155,231</u>
	<u>\$ 506,018</u>	<u>\$ 218,854</u>

Total investment return comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 51,389	\$ 5,989
Unrealized gains on investments	<u>29,978</u>	<u>-</u>
	<u>\$ 81,367</u>	<u>\$ 5,989</u>

Note 10: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

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Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

June 30, 2021				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 416,329	\$ 416,329	\$ -	\$ -
Corporate stocks	64,952	64,952	-	-
Exchange-traded funds	24,737	24,737	-	-
	<u>\$ 506,018</u>	<u>\$ 506,018</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2020				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 163,406	\$ 163,406	\$ -	\$ -
Corporate stocks	12,963	12,963	-	-
Exchange-traded funds	42,485	42,485	-	-
	<u>\$ 218,854</u>	<u>\$ 218,854</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 11: Retirement Plans

Defined Contribution Plan

The Organization has a defined contribution plan (the Plan) covering all full-time employees who are at least 21 years of age. Participants are immediately vested in their voluntary contributions, while vesting in the Organization’s contributions is based on years of continuous service, with a participant becoming fully vested after one year of continuous service. Each year, the board of directors determines the amount of the matching contribution to the Plan. Total expenses for the years ended June 30, 2021 and 2020 were approximately \$1,586,000 and \$854,000, respectively.

Defined Benefit Plan

KVC Behavioral Healthcare Missouri, Inc. (KVC Missouri) has a noncontributory defined benefit pension plan (the Plan) covering all full-time employees of KVC Missouri (formerly The Niles Home for Children, Inc.) 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 \$83,000 to the Plan in the plan year ending December 31, 2021.

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

	December 31, 2021	December 31, 2020
Benefit obligation	\$ (1,726,120)	\$ (1,611,396)
Fair value of plan assets	1,799,588	1,511,839
Funded status	\$ 73,468	\$ (99,557)

The benefit obligation is calculated based on a discount rate of 2.3 percent and 3.1 percent for the periods ended December 31, 2020 and 2019, respectively. The expected return on plan assets of 8.0 percent for both periods ended December 31, 2020 and 2019 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 asset (liability) of \$73,468 and \$(99,557) is recorded in the consolidated statements of financial position within prepaid expenses and other and noncurrent liabilities at June 30, 2021 and 2020, respectively, based on management’s opinion that there has not been a material change to the net benefit asset (liability) for the period December 31, 2020 to June 30, 2021 or December 31, 2019 to June 30, 2020.

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Deferred Compensation Plan

The Organization sponsors a Section 457(b) deferred compensation plan, effective July 1, 2019, for executive staff. The Plan has a plan year which ends on December 31. Total payments into the plan for the years ended June 30, 2021 and 2020 was \$177,000 and \$155,231, respectively.

Note 12: Operating Leases

Noncancellable operating leases for office space expire in various years through 2025. 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, 2021 and 2020 was \$2,245,136 and \$2,415,426, respectively.

Noncancellable operating leases for equipment and vehicles expire in various years through 2025. Total rental expense for equipment and vehicles leases for the years ended June 30, 2021 and 2020 was \$928,313 and \$1,741,116, respectively.

Future minimum lease payments at June 30, 2021 were:

	Equipment and Vehicles	Property	Total
2022	\$ 188,076	\$ 2,187,908	\$ 2,375,984
2023	93,513	1,273,767	1,367,280
2024	63,585	1,042,927	1,106,512
2025	7,928	40,904	48,832
	<u>\$ 353,102</u>	<u>\$ 4,545,506</u>	<u>\$ 4,898,608</u>

Note 13: 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:

Variable Consideration

Estimates of variable consideration (implicit and explicit price concessions) in determining the transaction price for inpatient services revenue are described in *Notes 1 and 3*.

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 14: COVID-19 Pandemic & CARES Act Funding

The Organization's pandemic response plan is multi-faceted and continues to evolve as the effects of the pandemic continues to change as a result of individuals becoming vaccinated and new variants of the virus arise. The Organization has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic continues to present to its business.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the year ended June 30, 2021, the Organization received approximately \$1,156,000 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security* ("CARES") Act (collectively referred to as the Provider Relief Fund). These distributions from the Provider Relief Fund (PRF) are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the United States Department of Health and Human Services (HHS).

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

The Organization is accounting for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the PRF and the effect of the pandemic on the Organization’s operating results through June 30, 2021 and 2020, the Organization recognized \$1,155,675 and \$0, respectively, related to the PRF, and these payments are recorded as miscellaneous operating revenue in the accompanying consolidated statements of activities.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. The Organization has evaluated the “Post-Payment Notice of Reporting Requirements” (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021 in accordance with ASC Topic 855 and have concluded as follows:

- July 1, 2021 FAQs – recognized

The Organization has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2021 and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events. For guidance issued subsequent to June 30, 2021 considered nonrecognized subsequent events, the Organization has reviewed this guidance and cannot currently estimate the impact on the amount of Provider Relief Fund the Organization has recognized through June 30, 2021, but the impact could be material. The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Organization’s Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

On July 1, 2021, the Health Resources and Services Administration (HRSA) opened the PRF online reporting portal and released updated guidance related to both the portal and funding received, as discussed above. The Organization’s first reporting period for the PRF monies received in August and December 2020 is January 1, 2022 – March 31, 2022. The Organization will also have a second reporting period for additional PRF monies received in April 2021 – the reporting period for these PRF monies is July 1, 2022 – September 30, 2022.

Note 15: Future Change in Accounting Principles

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

KVC Health Systems, Inc.
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. 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 16: Subsequent Events

Subsequent events have been evaluated through December 9, 2021, which is the date the consolidated financial statements were available to be issued.

In August 2021, the Organization paid back approximately \$1,100,000 of notes payable that had been received as part of the Paycheck Protection Program, set up by the United States Small Business Administration as allocated in the CARES Act.

Supplementary Information

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position
June 30, 2021

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Behavioral Healthcare Missouri, Inc.	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	\$ 3,388,890	\$ 1,135,879	\$ 1,750,588	\$ 3,165,179	\$ 1,359,810	\$ 5,635,927	\$ 10,438	\$ 1,219,364		\$ 17,666,075
Investments	97,869	-	-	-	-	-	-	-		97,869
Accounts receivable	2,383,929	4,451,322	1,885,250	296,693	1,081,888	4,109,604	-	373,735		14,582,421
Unbilled receivables	-	-	-	-	-	2,686,081	-	-		2,686,081
Due to/from affiliate	801,309	(241,459)	(95,228)	(143,796)	(42,452)	(229,294)	(19,310)	(29,770)		-
Contributions receivable	-	-	-	-	-	-	244,200	-		244,200
Grants receivable	23,713	112,963	7,920	2,107,796	48,474	-	-	-		2,300,866
Prepaid expenses and other	754,089	213,564	25,276	60,352	44,368	121,041	32,278	9,592		1,260,560
Total current assets	<u>7,449,799</u>	<u>5,672,269</u>	<u>3,573,806</u>	<u>5,486,224</u>	<u>2,492,088</u>	<u>12,323,359</u>	<u>267,606</u>	<u>1,572,921</u>		<u>38,838,072</u>
Property and Equipment, Net	<u>560,736</u>	<u>695,544</u>	<u>172,546</u>	<u>23,032</u>	<u>29,936</u>	<u>1,725,688</u>	<u>24,054,552</u>	<u>3,812,781</u>		<u>31,074,815</u>
Contributions Receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,390</u>	<u>-</u>		<u>230,390</u>
Other Assets										
Goodwill	-	-	-	545,000	-	-	-	-		545,000
Funds held for deferred compensation	408,149	-	-	-	-	-	-	-		408,149
Deposits and other assets	-	154,456	-	18,050	-	20,000	5,000	73,468		270,974
	<u>408,149</u>	<u>154,456</u>	<u>-</u>	<u>563,050</u>	<u>-</u>	<u>20,000</u>	<u>5,000</u>	<u>73,468</u>		<u>1,224,123</u>
Total assets	<u>\$ 8,418,684</u>	<u>\$ 6,522,269</u>	<u>\$ 3,746,352</u>	<u>\$ 6,072,306</u>	<u>\$ 2,522,024</u>	<u>\$ 14,069,047</u>	<u>\$ 24,557,548</u>	<u>\$ 5,459,170</u>	<u>\$ -</u>	<u>\$ 71,367,400</u>

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position (Continued)
June 30, 2021

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Behavioral Healthcare Missouri, Inc.	Eliminations	Consolidated
Current Liabilities										
Current maturities of long-term debt	\$ -	\$ -	\$ 1,209,000	\$ 2,120,200	\$ -	\$ 3,183,400	\$ 544,781	\$ 471,500		\$ 7,528,881
Accounts payable	153,397	955,084	228,299	52,954	316,843	315,643	43	42,491		2,064,754
Accrued salaries	506,003	1,461,145	313,075	717,755	197,367	1,469,598	-	173,857		4,838,800
Accrued compensated absences	218,315	851,484	178,435	361,407	149,641	610,131	-	70,178		2,439,591
Other accrued expenses	2,638,393	195,220	37,419	100,220	38,156	700,473	5,925	57,749		3,773,555
Deferred revenue	-	45,349	94,586	-	73,867	-	79,000	-		292,802
Total current liabilities	3,516,108	3,508,282	2,060,814	3,352,536	775,874	6,279,245	629,749	815,775		20,938,383
Long-term Debt	-	-	-	-	-	-	12,340,407	-		12,340,407
Deferred Compensation Obligation	408,149	-	-	-	-	-	-	-		408,149
Total liabilities	3,924,257	3,508,282	2,060,814	3,352,536	775,874	6,279,245	12,970,156	815,775		33,686,939
Net Assets										
Without donor restrictions	4,494,427	3,013,987	1,685,538	2,719,770	1,746,150	7,789,802	10,576,225	4,643,395		36,669,294
With donor restrictions	-	-	-	-	-	-	1,011,167	-		1,011,167
Total net assets	4,494,427	3,013,987	1,685,538	2,719,770	1,746,150	7,789,802	11,587,392	4,643,395		37,680,461
Total liabilities and net assets	\$ 8,418,684	\$ 6,522,269	\$ 3,746,352	\$ 6,072,306	\$ 2,522,024	\$ 14,069,047	\$ 24,557,548	\$ 5,459,170	\$ -	\$ 71,367,400

KVC Health Systems, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2021

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Behavioral Healthcare Missouri, Inc.	Eliminations	Consolidated
Revenues, Gains and Other Support Without Donor Restrictions										
Reintegration and adoption services	\$ -	\$ 32,995,030	\$ -	\$ -	\$ 47,512	\$ -	\$ -	\$ 672,455	\$ -	\$ 33,714,997
Child placing services	-	27,117,492	9,079,203	429,475	6,798,694	-	-	-	-	43,424,864
Inpatient services	-	-	-	-	-	34,099,873	-	-	-	34,099,873
Family preservation/in-home services	-	863,018	1,608,633	11,213,868	6,261,495	-	-	2,786,539	-	22,733,553
Contributions and grants	22,163	1,462,067	133,303	2,718,336	515,559	283,369	592,012	320,376	-	6,047,185
Investment income	33,768	3,456	1,766	2,659	1,100	37,363	565	690	-	81,367
Miscellaneous	521,936	382,880	8,241	367,788	3,830	2,130,586	-	188,285	-	3,603,546
Management fee	12,564,616	-	-	-	-	-	-	-	(12,564,616)	-
Intercompany services	62,822	(36,550)	-	-	-	39,200	-	-	(65,472)	-
Intercompany rent	-	-	-	-	-	-	2,344,223	-	(2,344,223)	-
Total revenues, gains and other support without donor restrictions	<u>13,205,305</u>	<u>62,787,393</u>	<u>10,831,146</u>	<u>14,732,126</u>	<u>13,628,190</u>	<u>36,590,391</u>	<u>2,936,800</u>	<u>3,968,345</u>	<u>(14,974,311)</u>	<u>143,705,385</u>
Operating Expenses										
Client care	-	53,405,295	9,801,363	13,662,098	11,727,243	33,356,829	-	3,813,842	(1,780,473)	123,986,197
Administrative and general	12,744,365	5,514,799	1,001,537	1,404,379	1,192,374	3,089,269	2,389,484	369,629	(13,193,838)	14,511,998
Fundraising	574,309	-	-	-	-	-	71,867	-	-	646,176
Total operating expenses	<u>13,318,674</u>	<u>58,920,094</u>	<u>10,802,900</u>	<u>15,066,477</u>	<u>12,919,617</u>	<u>36,446,098</u>	<u>2,461,351</u>	<u>4,183,471</u>	<u>(14,974,311)</u>	<u>139,144,371</u>
Operating Income (Loss)	<u>(113,369)</u>	<u>3,867,299</u>	<u>28,246</u>	<u>(334,351)</u>	<u>708,573</u>	<u>144,293</u>	<u>475,449</u>	<u>(215,126)</u>	<u>-</u>	<u>4,561,014</u>
Other Income (Expense)										
Debt forgiveness income	-	-	-	-	553,330	-	-	-	-	553,330
Intercompany transfers	(10,870,000)	4,965,000	1,870,000	3,300,000	250,000	(3,465,000)	4,500,000	(550,000)	-	-
Excess (Deficiency) of Revenues Over Expenses	<u>(10,983,369)</u>	<u>8,832,299</u>	<u>1,898,246</u>	<u>2,965,649</u>	<u>1,511,903</u>	<u>(3,320,707)</u>	<u>4,975,449</u>	<u>(765,126)</u>	<u>-</u>	<u>5,114,344</u>
Net Assets With Donor Restrictions										
Contributions received for property acquisitions	-	-	-	-	-	-	1,011,167	-	-	1,011,167
Change in Net Assets	<u>(10,983,369)</u>	<u>8,832,299</u>	<u>1,898,246</u>	<u>2,965,649</u>	<u>1,511,903</u>	<u>(3,320,707)</u>	<u>5,986,616</u>	<u>(765,126)</u>	<u>-</u>	<u>6,125,511</u>
Net Assets, Beginning of Year	<u>15,477,796</u>	<u>(5,818,312)</u>	<u>(212,708)</u>	<u>(245,879)</u>	<u>234,247</u>	<u>11,110,509</u>	<u>5,600,776</u>	<u>5,408,521</u>	<u>-</u>	<u>31,554,950</u>
Net Assets, End of Year	<u>\$ 4,494,427</u>	<u>\$ 3,013,987</u>	<u>\$ 1,685,538</u>	<u>\$ 2,719,770</u>	<u>\$ 1,746,150</u>	<u>\$ 7,789,802</u>	<u>\$ 11,587,392</u>	<u>\$ 4,643,395</u>	<u>\$ -</u>	<u>\$ 37,680,461</u>

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position
June 30, 2020

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Behavioral Healthcare Missouri, Inc.	Eliminations	Consolidated
Current Assets										
Cash and cash equivalents	\$ 1,899,163	\$ 6,706,862	\$ 2,556,263	\$ 2,576,694	\$ 1,058,214	\$ 4,779,761	\$ 484,272	\$ 1,208,308		\$ 21,269,537
Investments	63,623	-	-	-	-	-	-	-		63,623
Accounts receivable, net of allowance of \$2,484,000	5,459,418	3,822,437	929,811	408,787	1,186,464	6,662,770	-	324,711		18,794,398
Due to/from affiliate	14,260,921	(7,974,838)	(1,942,544)	(2,617,789)	(888,772)	(3,295,945)	1,088,970	1,369,997		-
Contributions receivable	-	-	-	-	-	-	428,700	-		428,700
Grants receivable	118,341	86,773	19,800	2,155,763	69,360	-	-	37,500		2,487,537
Prepaid expenses and other	734,298	84,547	37,498	70,472	31,576	193,878	12,860	10,024		1,175,153
Total current assets	22,535,764	2,725,781	1,600,828	2,593,927	1,456,842	8,340,464	2,014,802	2,950,540		44,218,948
Property and Equipment, Net	745,012	758,344	190,636	15,955	32,949	9,121,536	17,604,327	3,683,835		32,152,594
Contributions Receivable	-	-	-	-	-	-	586,366	-		586,366
Other Assets										
Goodwill	-	-	-	545,000	-	-	-	-		545,000
Funds held for deferred compensation	155,231	-	-	-	-	-	-	-		155,231
Deposits and other assets	-	151,956	274	17,706	-	20,000	5,000	-		194,936
	155,231	151,956	274	562,706	-	20,000	5,000	-		895,167
Total assets	\$ 23,436,007	\$ 3,636,081	\$ 1,791,738	\$ 3,172,588	\$ 1,489,791	\$ 17,482,000	\$ 20,210,495	\$ 6,634,375	\$ -	\$ 77,853,075

KVC Health Systems, Inc.
Consolidating Schedule of Financial Position (Continued)
June 30, 2020

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Behavioral Healthcare Missouri, Inc.	Eliminations	Consolidated
Current Liabilities										
Current maturities of long-term debt	\$ 562,337	\$ 2,596,649	\$ 533,730	\$ 935,993	\$ 241,658	\$ 1,405,357	\$ 5,416,442	\$ 208,150		\$ 11,900,316
Accounts payable	229,427	901,373	(54,370)	21,426	311,851	381,134	-	32,001		1,822,842
Accrued salaries	465,029	1,296,103	320,876	684,454	179,467	1,283,555	-	130,586		4,360,070
Accrued compensated absences	218,560	828,966	186,042	341,673	108,790	662,192	-	73,698		2,419,921
Other accrued expenses	5,616,164	286,770	296,318	184,523	104,486	385,305	7,822	418,512		7,299,900
Deferred revenue	-	259,281	46,580	66,191	3,550	475,905	46,000	-		897,507
Total current liabilities	7,091,517	6,169,142	1,329,176	2,234,260	949,802	4,593,448	5,470,264	862,947		28,700,556
Long-term Debt	711,463	3,285,251	675,270	1,184,207	305,742	1,778,043	9,139,455	263,350		17,342,781
Net Pension Liability	-	-	-	-	-	-	-	99,557		99,557
Deferred Compensation Obligation	155,231	-	-	-	-	-	-	-		155,231
Total liabilities	7,958,211	9,454,393	2,004,446	3,418,467	1,255,544	6,371,491	14,609,719	1,225,854		46,298,125
Net Assets										
Without donor restrictions	15,477,796	(5,818,312)	(212,708)	(245,879)	234,247	11,110,509	5,600,776	5,408,521		31,554,950
Total net assets	15,477,796	(5,818,312)	(212,708)	(245,879)	234,247	11,110,509	5,600,776	5,408,521		31,554,950
Total liabilities and net assets	\$ 23,436,007	\$ 3,636,081	\$ 1,791,738	\$ 3,172,588	\$ 1,489,791	\$ 17,482,000	\$ 20,210,495	\$ 6,634,375	\$ -	\$ 77,853,075

KVC Health Systems, Inc.
Consolidating Schedule of Activities
Year Ended June 30, 2020

	KVC Health Systems, Inc.	KVC Behavioral HealthCare, Inc.	KVC Behavioral Healthcare West Virginia, Inc.	KVC Behavioral Healthcare Kentucky, Inc.	KVC Behavioral Healthcare Nebraska, Inc.	KVC Hospitals, Inc.	KVC Foundation, Inc.	KVC Behavioral Healthcare Missouri, Inc.	Eliminations	Consolidated
Revenues, Gains and Other Support										
Without Donor Restrictions										
Reintegration and adoption services	\$ -	\$ 48,980,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 659,495	\$ -	\$ 49,639,637
Child placing services	-	22,780,246	11,430,519	665,736	7,331,518	-	-	-	-	42,208,019
Inpatient services	-	-	-	-	-	27,209,506	-	-	-	27,209,506
Family preservation/in-home services	-	5,007,679	800,155	11,579,760	5,248,287	-	-	1,764,555	-	24,400,436
Contributions and grants	93,376	724,105	73,944	2,524,270	417,622	156,025	450,065	398,052	-	4,837,459
Investment income	637	2,375	547	733	388	1,064	-	245	-	5,989
Miscellaneous	1,212,357	428,616	21,265	125,510	57,232	1,644,452	7,522	198,687	-	3,695,641
Management fee	12,540,770	-	-	-	-	-	-	-	(12,540,770)	-
Intercompany services	-	(1,419,676)	-	-	-	552,020	-	782,401	85,255	-
Intercompany rent	-	-	-	-	-	-	2,087,282	-	(2,087,282)	-
Total revenues, gains and other support without donor restrictions	<u>13,847,140</u>	<u>76,503,487</u>	<u>12,326,430</u>	<u>14,896,009</u>	<u>13,055,047</u>	<u>29,563,067</u>	<u>2,544,869</u>	<u>3,803,435</u>	<u>(14,542,797)</u>	<u>151,996,687</u>
Operating Expenses										
Client care	-	63,140,165	10,539,878	14,241,815	11,501,870	34,625,511	-	3,228,617	(1,520,882)	135,756,974
Administrative and general	14,055,683	6,384,394	1,028,904	1,252,650	1,014,277	3,054,545	1,460,267	288,072	(13,011,442)	15,527,350
Fundraising	-	-	-	-	-	-	160,425	-	(10,473)	149,952
Total operating expenses	<u>14,055,683</u>	<u>69,524,559</u>	<u>11,568,782</u>	<u>15,494,465</u>	<u>12,516,147</u>	<u>37,680,056</u>	<u>1,620,692</u>	<u>3,516,689</u>	<u>(14,542,797)</u>	<u>151,434,276</u>
Operating Income (Loss)	(208,543)	6,978,928	757,648	(598,456)	538,900	(8,116,989)	924,177	286,746	-	562,411
Other Income (Expense)										
Intercompany transfers	13,925,000	(12,345,000)	(2,045,000)	(1,230,000)	(1,090,000)	7,895,000	(5,645,000)	535,000	-	-
Excess (Deficiency) of Revenues Over Expenses	13,716,457	(5,366,072)	(1,287,352)	(1,828,456)	(551,100)	(221,989)	(4,720,823)	821,746	-	562,411
Contributions received for property acquisitions	-	-	-	-	-	-	1,641,575	-	-	1,641,575
Change in Net Assets	13,716,457	(5,366,072)	(1,287,352)	(1,828,456)	(551,100)	(221,989)	(3,079,248)	821,746	-	2,203,986
Net Assets, Beginning of Year	1,761,339	(452,240)	1,074,644	1,582,577	785,347	11,332,498	8,680,024	4,586,775	-	29,350,964
Net Assets, End of Year	<u>\$ 15,477,796</u>	<u>\$ (5,818,312)</u>	<u>\$ (212,708)</u>	<u>\$ (245,879)</u>	<u>\$ 234,247</u>	<u>\$ 11,110,509</u>	<u>\$ 5,600,776</u>	<u>\$ 5,408,521</u>	<u>\$ -</u>	<u>\$ 31,554,950</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Health Systems, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ -	\$ 6,076,630	\$ 424,887	\$ 6,501,517
Payroll taxes	-	434,769	32,138	466,907
Employee benefits	-	788,253	34,126	822,379
Total salaries, wages and related expenses	-	7,299,652	491,151	7,790,803
Office supplies and printing	-	60,045	6,386	66,431
Copier and fax expense	-	45,749	166	45,915
Postage	-	28,350	2,637	30,987
Employee recruitment and advertising	-	96,446	-	96,446
Licenses and dues	-	96,912	15,257	112,169
Insurance	-	129,693	691	130,384
Travel	-	24,728	80	24,808
Telephone	-	143,674	4,493	148,167
Professional fees	-	714,840	-	714,840
Contract labor	-	5,250	-	5,250
Contract physicians	-	-	-	-
Contract unallowable expenses	-	(12)	12	-
Consulting and other contractual expenses	-	518,954	14,563	533,517
Staff development	-	433,557	1,229	434,786
Promotion	-	19,848	-	19,848
Office rent	-	26,563	4,069	30,632
Equipment expenses	-	1,393,879	837	1,394,716
Network services	-	444,268	-	444,268
Maintenance and repairs	-	80,619	39	80,658
Safety services and materials	-	50,286	-	50,286
Food	-	20	-	20
Food – outings	-	10,709	656	11,365
Housekeeping supplies	-	4,484	-	4,484
Miscellaneous housekeeping	-	34,278	-	34,278
Utilities	-	121,065	288	121,353
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Child care payments	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	10,728	3,157	13,885
Vehicle rental	-	64,596	9,500	74,096
General program supplies	-	(5,025)	1,821	(3,204)
Clothing	-	-	-	-
Miscellaneous	-	46,411	17,277	63,688
Interest	-	6,776	-	6,776
Bad debts	-	-	-	-
Property tax expense	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	-	11,907,343	574,309	12,481,652
Depreciation and amortization	-	207,800	-	207,800
Intercompany management fees	-	-	-	-
Intercompany services	-	62,822	-	62,822
Intercompany rent	-	566,400	-	566,400
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2021	\$ -	\$ 12,744,365	\$ 574,309	\$ 13,318,674

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral HealthCare, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 19,851,377	\$ -	\$ -	\$ 19,851,377
Payroll taxes	1,588,013	-	-	1,588,013
Employee benefits	3,522,090	-	-	3,522,090
Total salaries, wages and related expenses	24,961,480	-	-	24,961,480
Office supplies and printing	50,656	-	-	50,656
Copier and fax expense	129,024	-	-	129,024
Postage	30,553	-	-	30,553
Employee recruitment and advertising	7,715	-	-	7,715
Licenses and dues	54,034	75,724	-	129,758
Insurance	1,478,982	-	-	1,478,982
Travel	380,188	-	-	380,188
Telephone	504,558	-	-	504,558
Professional fees	78,708	-	-	78,708
Contract labor	166,434	-	-	166,434
Contract physicians	345,845	-	-	345,845
Contract unallowable expenses	32,888	-	-	32,888
Consulting and other contractual expenses	424,413	-	-	424,413
Staff development	53,695	-	-	53,695
Promotion	25,343	-	-	25,343
Office rent	975,376	-	-	975,376
Equipment expenses	41,102	-	-	41,102
Network services	86,984	-	-	86,984
Maintenance and repairs	60,950	-	-	60,950
Safety services and materials	61,830	-	-	61,830
Food	34,306	-	-	34,306
Food – outings	5,218	-	-	5,218
Housekeeping supplies	11,756	-	-	11,756
Miscellaneous housekeeping	164,866	-	-	164,866
Utilities	167,576	-	-	167,576
Payments to foster parents	20,921,934	-	-	20,921,934
Subcontractor – foster home payments	91,199	-	-	91,199
Foster family training	137,072	-	-	137,072
Child care payments	54,189	-	-	54,189
Medical supplies	24,592	-	-	24,592
Vehicle expenses and repairs	178,007	-	-	178,007
Vehicle rental	369,075	-	-	369,075
General program supplies	269,756	-	-	269,756
Clothing	-	-	-	-
Miscellaneous	2,081	-	-	2,081
Interest	18,237	-	-	18,237
Bad debts	67,947	-	-	67,947
Property tax expense	34	-	-	34
Medicaid assessments	-	-	-	-
Flex fund	181,443	-	-	181,443
Kids activity fund	18,453	-	-	18,453
Expenses before depreciation, amortization and intercompany fees	52,668,499	75,724	-	52,744,223
Depreciation and amortization	110,946	-	-	110,946
Intercompany management fees	-	5,439,075	-	5,439,075
Intercompany services	(36,550)	-	-	(36,550)
Intercompany rent	662,400	-	-	662,400
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2021	\$ 53,405,295	\$ 5,514,799	\$ -	\$ 58,920,094

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare West Virginia, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 4,227,666	\$ 64,026	\$ -	\$ 4,291,692
Payroll taxes	325,025	4,767	-	329,792
Employee benefits	779,724	8,254	-	787,978
Total salaries, wages and related expenses	5,332,415	77,047	-	5,409,462
Office supplies and printing	20,101	-	-	20,101
Copier and fax expense	30,937	494	-	31,431
Postage	5,036	-	-	5,036
Employee recruitment and advertising	75	-	-	75
Licenses and dues	16,443	-	-	16,443
Insurance	208,534	-	-	208,534
Travel	65,638	-	-	65,638
Telephone	118,474	1,104	-	119,578
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	-	-	-	-
Contract unallowable expenses	310	-	-	310
Consulting and other contractual expenses	13,283	-	-	13,283
Staff development	23,726	22	-	23,748
Promotion	4,450	-	-	4,450
Office rent	191,887	-	-	191,887
Equipment expenses	36,667	-	-	36,667
Network services	16,932	-	-	16,932
Maintenance and repairs	8,635	-	-	8,635
Safety services and materials	9,103	-	-	9,103
Food	955	-	-	955
Food – outings	1,996	-	-	1,996
Housekeeping supplies	2,566	-	-	2,566
Miscellaneous housekeeping	50,005	-	-	50,005
Utilities	39,826	-	-	39,826
Payments to foster parents	3,167,780	-	-	3,167,780
Subcontractor – foster home payments	-	-	-	-
Foster family training	1,278	-	-	1,278
Child care payments	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	66,125	-	-	66,125
Vehicle rental	125,561	-	-	125,561
General program supplies	87,878	-	-	87,878
Clothing	33,550	-	-	33,550
Miscellaneous	2,167	-	-	2,167
Interest	12,090	-	-	12,090
Bad debts	-	-	-	-
Property tax expense	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	3,616	-	-	3,616
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	9,698,039	78,667	-	9,776,706
Depreciation and amortization	10,324	7,765	-	18,089
Intercompany management fees	-	915,105	-	915,105
Intercompany services	-	-	-	-
Intercompany rent	93,000	-	-	93,000
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2021	\$ 9,801,363	\$ 1,001,537	\$ -	\$ 10,802,900

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Kentucky, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 9,257,848	\$ 239,793	\$ -	\$ 9,497,641
Payroll taxes	712,610	17,658	-	730,268
Employee benefits	1,542,917	41,312	-	1,584,229
Total salaries, wages and related expenses	11,513,375	298,763	-	11,812,138
Office supplies and printing	19,342	749	-	20,091
Copier and fax expense	503	-	-	503
Postage	6,990	260	-	7,250
Employee recruitment and advertising	27,253	-	-	27,253
Licenses and dues	48,892	19,304	-	68,196
Insurance	273,993	475	-	274,468
Travel	(24,745)	(620)	-	(25,365)
Telephone	182,046	14,328	-	196,374
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	26,272	-	-	26,272
Contract unallowable expenses	110,353	1,578	-	111,931
Consulting and other contractual expenses	36,446	-	-	36,446
Staff development	139,729	1,153	-	140,882
Promotion	860	38	-	898
Office rent	231,762	32,940	-	264,702
Equipment expenses	47,195	427	-	47,622
Network services	13,683	1,127	-	14,810
Maintenance and repairs	1,144	-	-	1,144
Safety services and materials	2,778	998	-	3,776
Food	74	-	-	74
Food – outings	673	-	-	673
Housekeeping supplies	-	-	-	-
Miscellaneous housekeeping	13,926	139	-	14,065
Utilities	28,772	2,820	-	31,592
Payments to foster parents	214,134	-	-	214,134
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Child care payments	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	18,332	-	-	18,332
Vehicle rental	51,612	-	-	51,612
General program supplies	39,804	40	-	39,844
Clothing	-	-	-	-
Miscellaneous	10,012	-	-	10,012
Interest	21,206	-	-	21,206
Bad debts	(7,000)	-	-	(7,000)
Property tax expense	6,331	319	-	6,650
Medicaid assessments	-	-	-	-
Flex fund	484,486	32	-	484,518
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	13,540,233	374,870	-	13,915,103
Depreciation and amortization	4,242	891	-	5,133
Intercompany management fees	-	1,028,618	-	1,028,618
Intercompany services	-	-	-	-
Intercompany rent	117,623	-	-	117,623
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2021	<u>\$ 13,662,098</u>	<u>\$ 1,404,379</u>	<u>\$ -</u>	<u>\$ 15,066,477</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Nebraska, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 2,686,435	\$ 55,408	\$ -	\$ 2,741,843
Payroll taxes	189,405	3,296	-	192,701
Employee benefits	415,764	13,120	-	428,884
Total salaries, wages and related expenses	3,291,604	71,824	-	3,363,428
Office supplies and printing	13,457	610	-	14,067
Copier and fax expense	10,538	-	-	10,538
Postage	15,147	625	-	15,772
Employee recruitment and advertising	5,328	-	-	5,328
Licenses and dues	15,145	23	-	15,168
Insurance	113,173.00	-	-	113,173
Travel	35,805	209	-	36,014
Telephone	56,782	950	-	57,732
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	7,598	-	-	7,598
Contract unallowable expenses	584	-	-	584
Consulting and other contractual expenses	36,648	-	-	36,648
Staff development	50,675	63	-	50,738
Promotion	4,192	-	-	4,192
Office rent	374,439	-	-	374,439
Equipment expenses	16,153	187	-	16,340
Network services	7,111	232	-	7,343
Maintenance and repairs	3,089	-	-	3,089
Safety services and materials	1,324	19	-	1,343
Food	230	-	-	230
Food – outings	3,492	-	-	3,492
Housekeeping supplies	-	-	-	-
Miscellaneous housekeeping	4,228	246	-	4,474
Utilities	5,533	307	-	5,840
Payments to foster parents	7,573,906	-	-	7,573,906
Subcontractor – foster home payments	-	-	-	-
Foster family training	16,394	-	-	16,394
Child care payments	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	10,388	-	-	10,388
Vehicle rental	26,493	-	-	26,493
General program supplies	29,836	83	-	29,919
Clothing	-	-	-	-
Miscellaneous	5,312	-	-	5,312
Interest	5,018	-	-	5,018
Bad debts	(31,000)	-	-	(31,000)
Property tax expense	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	10,592	-	-	10,592
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	11,719,214	75,378	-	11,794,592
Depreciation and amortization	8,029	-	-	8,029
Intercompany management fees	-	1,116,996	-	1,116,996
Intercompany services	-	-	-	-
Intercompany rent	-	-	-	-
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2021	\$ 11,727,243	\$ 1,192,374	\$ -	\$ 12,919,617

KVC Health Systems, Inc.
Functional Expenses – KVC Hospitals, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 17,614,373	\$ -	\$ -	\$ 17,614,373
Payroll taxes	1,431,780	-	-	1,431,780
Employee benefits	2,748,387	-	-	2,748,387
Total salaries, wages and related expenses	21,794,540	-	-	21,794,540
Office supplies and printing	85,537	-	-	85,537
Copier and fax expense	23,515	-	-	23,515
Postage	9,739	-	-	9,739
Employee recruitment and advertising	9,943	-	-	9,943
Licenses and dues	28,896	-	-	28,896
Insurance	591,243	-	-	591,243
Travel	25,091	-	-	25,091
Telephone	106,454	-	-	106,454
Professional fees	175,096	-	-	175,096
Contract labor	128,926	-	-	128,926
Contract physicians	3,513,104	-	-	3,513,104
Contract unallowable expenses	4,728	-	-	4,728
Consulting and other contractual expenses	546,750	-	-	546,750
Staff development	162,048	-	-	162,048
Promotion	67,386	-	-	67,386
Office rent	372,100	-	-	372,100
Equipment expenses	583,586	-	-	583,586
Network services	107,580	-	-	107,580
Maintenance and repairs	426,981	-	-	426,981
Safety services and materials	142,468	-	-	142,468
Food	935,024	-	-	935,024
Food – outings	43,425	-	-	43,425
Housekeeping supplies	99,662	-	-	99,662
Miscellaneous housekeeping	667,301	-	-	667,301
Utilities	364,120	-	-	364,120
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	-	-	-	-
Child care payments	-	-	-	-
Medical supplies	694,540	-	-	694,540
Vehicle expenses and repairs	48,736	-	-	48,736
Vehicle rental	45,217	-	-	45,217
General program supplies	260,314	-	-	260,314
Clothing	-	-	-	-
Miscellaneous	13,189	-	-	13,189
Interest	31,834	-	-	31,834
Bad debts	-	-	-	-
Property tax expense	162	-	-	162
Medicaid assessments	21,964	-	-	21,964
Flex fund	-	-	-	-
Kids activity fund	15,938	-	-	15,938
Expenses before depreciation, amortization and intercompany fees	32,147,137	-	-	32,147,137
Depreciation and amortization	265,692	-	-	265,692
Intercompany management fees	-	3,467,645	-	3,467,645
Intercompany services	39,200	-	-	39,200
Intercompany rent	904,800	-	-	904,800
Eliminations	-	(378,376)	-	(378,376)
Totals, Year Ended June 30, 2021	<u>\$ 33,356,829</u>	<u>\$ 3,089,269</u>	<u>\$ -</u>	<u>\$ 36,446,098</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Foundation, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ -	\$ -	\$ -	\$ -
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Total salaries, wages and related expenses	-	-	-	-
Office supplies and printing	-	-	70	70
Copier and fax expense	-	-	-	-
Postage	-	-	115	115
Employee recruitment and advertising	-	-	4,250	4,250
Licenses and dues	-	-	5,565	5,565
Insurance	-	-	-	-
Travel	-	-	-	-
Telephone	-	-	-	-
Professional fees	-	-	-	-
Contract labor	-	-	-	-
Contract physicians	-	-	-	-
Contract unallowable expenses	-	-	-	-
Consulting and other contractual expenses	-	-	2,495	2,495
Staff development	-	-	-	-
Promotion	-	-	-	-
Office rent	-	36,000	-	36,000
Equipment expenses	-	-	-	-
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	-	-	-	-
Medical supplies	-	-	-	-
Vehicle expenses and repairs	-	-	-	-
Vehicle rental	-	-	-	-
General program supplies	-	-	-	-
Clothing	-	-	-	-
Miscellaneous	-	-	59,372	59,372
Interest	-	712,983	-	712,983
Bad debts	-	(30,724)	-	(30,724)
Property tax expense	-	-	-	-
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Kids activity fund	-	-	-	-
Expenses before depreciation, amortization and intercompany fees	-	718,259	71,867	790,126
Depreciation and amortization	-	1,064,292	-	1,064,292
Intercompany management fees	-	228,557	-	228,557
Intercompany services	-	-	-	-
Intercompany rent	-	-	-	-
Eliminations	-	378,376	-	378,376
Totals, Year Ended June 30, 2021	<u>\$ -</u>	<u>\$ 2,389,484</u>	<u>\$ 71,867</u>	<u>\$ 2,461,351</u>

KVC Health Systems, Inc.
Functional Expenses – KVC Behavioral Healthcare Missouri, Inc.
Year Ended June 30, 2021

	Client Care	Administrative and General	Fundraising	Total Expenses
Salaries and wages	\$ 2,205,625	\$ -	\$ -	\$ 2,205,625
Payroll taxes	199,014	-	-	199,014
Employee benefits	317,271	-	-	317,271
Total salaries, wages and related expenses	2,721,910	-	-	2,721,910
Office supplies and printing	24,767	-	-	24,767
Copier and fax expense	4,520	-	-	4,520
Postage	3,008	-	-	3,008
Employee recruitment and advertising	1,037	-	-	1,037
Licenses and dues	24,672	-	-	24,672
Insurance	84,360	-	-	84,360
Travel	351	-	-	351
Telephone	37,923	-	-	37,923
Professional fees	-	-	-	-
Contract labor	17,240	-	-	17,240
Contract physicians	61,542	-	-	61,542
Contract unallowable expenses	2,553	-	-	2,553
Consulting and other contractual expenses	57,414	-	-	57,414
Staff development	11,344	-	-	11,344
Promotion	-	-	-	-
Office rent	-	-	-	-
Equipment expenses	106,200	965	-	107,165
Network services	2,485	-	-	2,485
Maintenance and repairs	80,736	-	-	80,736
Safety services and materials	22,657	-	-	22,657
Food	129,396	-	-	129,396
Food – outings	3,912	-	-	3,912
Housekeeping supplies	11,735	-	-	11,735
Miscellaneous housekeeping	101,358	-	-	101,358
Utilities	67,856	-	-	67,856
Payments to foster parents	-	-	-	-
Subcontractor – foster home payments	-	-	-	-
Foster family training	88	-	-	88
Child care payments	-	-	-	-
Medical supplies	20,332	-	-	20,332
Vehicle expenses and repairs	5,785	-	-	5,785
Vehicle rental	17,054	-	-	17,054
General program supplies	36,045	-	-	36,045
Clothing	-	-	-	-
Miscellaneous	50	44	-	94
Interest	4,715	-	-	4,715
Bad debts	(4,000)	-	-	(4,000)
Property tax expense	977	-	-	977
Medicaid assessments	-	-	-	-
Flex fund	-	-	-	-
Kids activity fund	4,126	-	-	4,126
Expenses before depreciation, amortization and intercompany fees	3,664,148	1,009	-	3,665,157
Depreciation and amortization	149,694	-	-	149,694
Intercompany management fees	-	368,620	-	368,620
Intercompany services	-	-	-	-
Intercompany rent	-	-	-	-
Eliminations	-	-	-	-
Totals, Year Ended June 30, 2021	<u>\$ 3,813,842</u>	<u>\$ 369,629</u>	<u>\$ -</u>	<u>\$ 4,183,471</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, 2021

	Area 3	Area 6	Total
Revenue			
DCF grant	\$ 15,830,460	\$ 13,739,542	\$ 29,570,002
DCF reimbursable cost	2,098,066	1,479,166	3,577,232
Contributions	66,911	49,549	116,460
Grants	77,122	124,045	201,167
Other - billable services	339,990	293,542	633,532
Other - miscellaneous	20,253	1,838	22,091
Total revenue	<u>18,432,803</u>	<u>15,687,681</u>	<u>34,120,484</u>
Expenses			
Salaries and wages (including taxes and benefits)			
Administration	2,173,010	1,818,424	3,991,434
Case management	6,988,177	6,252,853	13,241,030
Client transportation	627,900	572,555	1,200,455
Total salaries and wages	<u>9,789,087</u>	<u>8,643,833</u>	<u>18,432,920</u>
Operating, property and travel			
Direct operating	1,171,532	846,505	2,018,037
Direct property and equipment	1,071,599	615,755	1,687,354
Direct transportation and travel	706,045	573,852	1,279,897
Total placement costs	<u>2,949,176</u>	<u>2,036,113</u>	<u>4,985,289</u>
Other costs			
Unreimbursed medical	14,839	9,264	24,103
Independent living	-	30,521	30,521
Flex funds	104,116	69,809	173,925
Reimbursable placement costs	2,073,271	1,416,887	3,490,158
Reimbursable daycare costs	12,665	10,235	22,900
Other - miscellaneous	77,693	57,692	135,385
Other - unallowable	63,004	48,310	111,314
Other - management fee	1,507,655	1,232,787	2,740,442
Total other costs	<u>3,853,243</u>	<u>2,875,506</u>	<u>6,728,749</u>
Total expenses	<u>16,591,507</u>	<u>13,555,451</u>	<u>30,146,958</u>
Revenues over expenses	<u>\$ 1,841,296</u>	<u>\$ 2,132,230</u>	<u>\$ 3,973,526</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, 2021

Revenue

Revenue - DCF (administrative)	\$ 7,996,721
Revenue - other payors (administrative)	86,365
Foster parent maintenance (paid by DCF)	17,235,563
Foster parent maintenance (other payers)	221,721
Contributions	119,031
Home study fees	270,000
Children's Alliance training reimbursement	125,421
DCF Cares Act funding	18,599
Other income	3,374
Total revenue	<u>26,076,795</u>

Expenses

Salaries and wages (including taxes and benefits)	
Administration	701,439
Direct	3,068,711
Recruitment and training	650,607
Treatment	104,340
Total salaries and wages	<u>4,525,098</u>

Operating, property and travel	
Direct operating	843,765
Direct property and equipment	343,055
Direct transportation and travel	55,945
Recruitment and training operating	146,964
Recruitment and training property and equipment	50,705
Recruitment and training transportation and travel	26,006
Total placement costs	<u>1,466,441</u>

Other costs	
Foster parent payment (paid by DCF)	17,235,563
Foster parent payment (paid by other payers)	221,721
Other - unallowable	2,644
Other - management fee	2,424,574
Total other costs	<u>19,884,503</u>

Total expenses	<u>25,876,041</u>
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Revenues over expenses	<u>\$ 200,753</u>
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KVC Health Systems, Inc.
Schedule of System of Care Grant
Agreement Number – G210214
Year Ended June 30, 2021

Revenue	
Grant revenue	<u>\$ 71,156</u>
Expenses	
Salaries and wages	46,251
Taxes and benefits	14,109
Supplies	2,009
Rent	1,477
Phone	975
Indirect	6,334
Unallowable	21,419
Total expenses	<u>92,574</u>
Revenues under expenses	<u><u>\$ (21,418)</u></u>

KVC Health Systems, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Program or Cluster Title	Federal Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Child Nutrition Cluster					
School Breakfast Program	U.S. Department of Agriculture passed through the Kansas State Department of Education	10.553	X0925	\$ -	\$ 91,900
National School Lunch Program	U.S. Department of Agriculture passed through the Kansas State Department of Education	10.555	X0925	-	154,974
After School Snack Program	U.S. Department of Agriculture passed through the Kansas State Department of Education	10.555	X0925	-	14,026
Total Assistance Listing # 10.555				-	169,000
Total Child Nutrition Cluster				-	260,900
Nebraska System of Care Expansion and Sustainability Grant	U.S. Department of Health and Human Services passed through Region VI Behavioral Health Administration	93.104	SM063392	-	309,329
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 2000003295-2000003302	-	7,066,019
Jefferson County Support and Referral Services	U.S. Department of Health and Human Services passed through the Kentucky Cabinet for Health and Family Services	93.556	PON2 736 2000003349	-	183,022
Promoting Safe and Stable Families	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.556	EVT0001559/ 2019-KVC-CM3/ 2019-KVC-CM6	-	236,020
Total Assistance Listing # 93.556				-	7,485,061
Child Welfare Social Services IV-B	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.645	EVT001559	-	19,482
COVID-19 Child Welfare Social Services IV-B, Pandemic	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.645	IV-B CWS Pandemic Grant	-	39,963
Total Assistance Listing # 93.645				-	59,445
Temporary Assistance for Needy Families (TANF) State Programs	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.558	PPS-2019-CPA-KVC-16/ PPS-2019-RF-KVC-26/ 2019-KVC-CM3/ 2019-KVC-CM6/ EES-2021-KVC-01	-	6,774,081

KVC Health Systems, Inc.
Schedule of Expenditures of Federal Awards (Continued) and Notes to the
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Program or Cluster Title	Federal Grantor/Pass-Through Grantor	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Foster Care - Title IV-E	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.658	PPS-2019-CPA-KVC-16/ PPS-2019-CPA-KVC-26/ 2019-KVC-RTHT/ 2019-KVC-CM3/2019-KVC-CM6	\$ -	\$ 5,557,300
Foster Care - Title IV-E	U.S. Department of Health and Human Services passed through the Kentucky Department for Community Based Services	93.658	PON2 736 2000001542/ PON2 736 800001797	-	1,165,918
Foster Care - Title IV-E	U.S. Department of Health and Human Services passed through the Nebraska Department of Health and Human Services	93.658	G-2001NEFOST/ G-2101NEFOST	-	133,764
Total Assistance Listing # 93.658				-	6,856,982
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	90CU0079-02-00/ 90CU0079-03-00	-	260,381
Kansas Strong for Children and Families	U.S. Department of Health and Human Services passed through the University of Kansas Center for Research, Inc.	93.652	90CO1139-01-00/ 90CO1139-01-01	-	18,724
Social Services Block Grant	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.667	2019-KVC-CM3/ 2019-KVC-CM6	-	3,512,202
Adoption Assistance - Title IV-E	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.659	2019-KVC-CM3/2019-KVC-CM6/ 2019-KVC-Adopt/ PPS-2019-CPA-KVC-16	-	185,726
Chafee Independent Living - Title IV-E	U.S. Department of Health and Human Services passed through the Kansas State Department for Children and Families	93.674	2019-KVC-CM3/ 2019-KVC-CM6	-	47,312
COVID-19 Coronavirus Relief Fund	U.S. Department of Treasury passed through Sedgwick County, Kansas	21.019	N/A	-	114,552
				\$ -	\$ 25,884,695

Notes to Schedule

- The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of KVC Health Systems, Inc. under programs of the federal government for the year ended June 30, 2021. 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.
- 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 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, 2021, and the related consolidated statements of activities, functional expenses 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 9, 2021, which contained an “Emphasis of Matter” paragraph regarding a change in accounting principle.

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) as a basis for designing 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 9, 2021

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, 2021. 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, 2021.

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 9, 2021

KVC Health Systems, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Summary of Auditor's Results

Consolidated 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	Federal Assistance Listing Number
Temporary Assistance for Needy Families (TANF) State Programs	93.558
Foster Care - Title IV-E	93.658
Social Services Block Grant	93.667

8. The threshold used to distinguish between Type A and Type B programs was \$776,541.

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, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
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No matters are reportable.

KVC Health Systems, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
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No matters are reportable.