



Growing Strong, Healthy Families

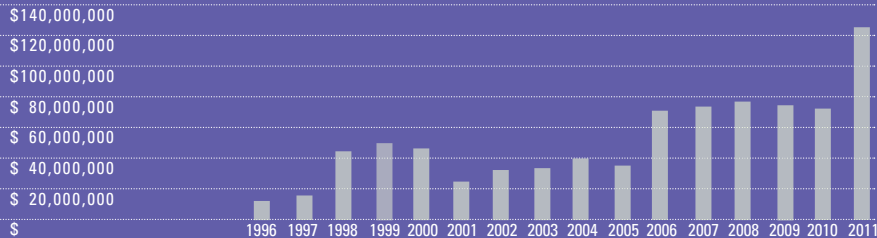
KVC Health Systems, Inc. and Subsidiaries

“Since I was a young child, I’ve watched my parents devote their time, energy and resources to KVC, helping one child at a time. Our family has made KVC our mission because we believe children grow best in a healthy family environment. Now, as KVC chairman of the board, I have the honor to work alongside a group of innovative and dedicated staff determined to continue making great strides on behalf of the children and families they serve.”



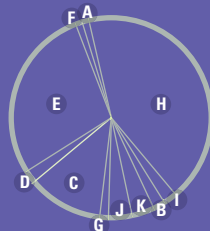
– KVC Chairman of the Board of Directors, David F. Ball

Operating Revenue



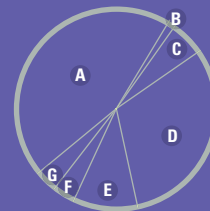
Sources of Operational Revenue Fiscal Year 2011 (Unaudited)

Total Revenue = \$125,217,793



A Contributions, Grants & Other	1%	G Nebraska Child Placing	1%
B Real Estate Transactions	2%	H Nebraska Permanency Contract	45%
C Kansas Inpatient Services	11%	I Kentucky Services	3%
D Kansas Child Placing	3%	J West Virginia In-Home Services	4%
E Kansas Permanency Contract	24%	K West Virginia Child Placing	4%
F Kansas/Missouri Outpatient	1%		

Operational Expense Percentages Fiscal Year 2011 (Unaudited)



A Salaries, Taxes & Benefits	43%	E Contracted Services	8%
B Office Supplies & Administration	2%	F Mileage & Transportation	4%
C Occupancy	6%	G Operating Expenses	4%
D Out-of-Home Expenses	33%		

Dear Friends,

All of the biggest and best corporations in America focus on growth. In that respect, KVC is no different; however, while those organizations solely worry about growing revenues, those of us at KVC are focused on a different kind of growth – the growth of quality services for children and families and growth of our mission.

KVC began its rich history of **growing strong, healthy families** when the agency first opened its doors more than four decades ago. KVC has grown to become one of the broadest and most innovative continuums of care for children and families in the nation. Due to that significant growth, the board of directors initiated a structural change in 2008, creating a parent company – KVC Health Systems, Inc. – to oversee five subsidiaries under one network sharing the same vision and mission.

Through this network, KVC has flourished and expanded to serve approximately 40,000 children and family members in need on any given day in Kansas, Nebraska, Missouri, West Virginia and Kentucky. We take pride in implementing evidence-based models while maintaining fiscal responsibility. KVC is recognized by local and national foundations and watchdog agencies for providing one of the most extensive continuums of care for at-risk children, and KVC is one of two private organizations in the nation the esteemed Annie E. Casey Foundation is currently studying as a best-practice organization. To execute these innovative services, KVC employs nearly 1,300 staff ranging from therapists, case workers and psychiatrists to IT/MIS specialists and certified public accountants. Its 12-member management team alone represents more than 240 years of experience in child welfare.



The KVC system has branched out in these five states to provide “no reject-no eject” children’s mental health inpatient services and child welfare case management contracts in Kansas and Nebraska; school and home-based mental health outpatient treatment through several large school districts in Missouri; community/home-based-therapy in Kentucky and West Virginia; child-placing agency services in Kansas, Nebraska, West Virginia and Kentucky; as well as adoption services and professional education in mental health and child welfare.

We have worked hard to get where we are today. Through good times and bad, KVC has shown its resilience and dedication to children and families. They are the heart of what we do at KVC. They keep us going – and growing – and we love managing these care systems and changing processes, allowing us to make huge milestones on behalf of children and families. It is truly an honor and a privilege for us to serve these children and families in need.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Wayne Sims', written over a light blue background.

B. Wayne Sims | President and CEO



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KVC Behavioral HealthCare Kansas, Inc.

KVC has strong roots in Wyandotte County, where it was founded as a private, nonprofit organization in 1970. Since that time, KVC has seen tremendous growth in Kansas – as well as four other states – and it now represents one of the strongest and broadest child welfare and behavioral healthcare continuums of care in the nation. This year, KVC Kansas led the state in the achievement of standards set by the Federal Children and Family Service Review. The purpose of these goals is to ensure safety, permanency and well-being for children in care, and only one other contractor in the state met the same number of outcomes. This dedication to excellence allows KVC to meet the needs of any child and family who require case management support and

behavioral health treatment, no matter how significant. We know children can't wait. They deserve immediate access to care, and we work tirelessly to ensure their needs are met through our best-practice models.



97%

of children safely reunified with their families this year

1,500 adoptions in 1,500 days

Leading the state in achievement of standards set by the Federal Children and Family Service Review

KVC Hospitals, Inc.

KVC developed its first children's inpatient psychiatric hospital in 1992 in direct response to the state's plea for mental health reform. Since that time, KVC Hospitals, Inc., has continually grown and refined its services by incorporating national research, innovative thinking, technology and feedback from children, families, staff and stakeholders. KVC hospitals operate state contracts on a "no reject-no eject" policy and thrive on working with the most acute and intensive cases that other hospitals often deny admission or transfer.

KVC has a strong commitment to research and education and provides multiple opportunities for clinical and academic rotations throughout its continuum of care. KVC has teaching affiliations with numerous institutions of higher education and hospitals. Child psychiatrists from the University of

Kansas Medical Center complete their fellowship rotations through KVC Hospitals, Inc. In addition, nursing, social work and counseling students from UMKC, the University of Kansas, St. Luke's School of Nursing, St. Mary's University, Kansas City Kansas Community College and Pittsburg State University are afforded practicum and learning opportunities at KVC Prairie Ridge Psychiatric Hospital.

Due to positive feedback from the community and the tremendous success of its STAR program, KVC Hospitals, Inc., was awarded a grant to expand state hospital alternative services in western Kansas. In May of 2010, KVC Wheatland Psychiatric Hospital opened its doors and has been well-received by families and stakeholders, proving to be a successful initiative for keeping children and families unified and closer to home in the western part of the state.

1,818

children treated in KVC hospitals this year

Provided **33,845** days of patient care

Served as the state-wide provider of state hospital alternative services, providing care to children from **105** counties and **27** mental health centers

Only provider of "no reject-no eject" services in Kansas



In-Home Family Therapy

Cheering at clients' sporting events, attending parent-teacher conferences, walking anxiety-ridden kids to class, and attending extracurricular school activities are not regular roles for mental health providers, however, that is the case with KVC's involvement with two major school districts in Missouri. In 2007, the Independence MO School District ("ISD") observed increased mental health problems in its schools. The superintendent, Dr. Jim Hinson, approached KVC to provide wraparound mental health services in the school buildings and outreach to children and families in their homes, rather than entering the state foster care system. KVC accepted this challenge because

it matched its vision to create innovative solutions to difficulties schools and communities faced in helping at-risk children, all while keeping children and families together out of state services. In 2009, the Center School District enlisted KVC to offer school and in-home mental health services to its student population as well.



The beauty of these partnerships lies in not only the quality of care provided to those in need, but also in the continued involvement and investment the school district and KVC staff members have in the lives of students and families.

19,000 students and their families in the Center and Independence School Districts have access to services



KVC Behavioral HealthCare Kentucky, Inc.

KVC began providing services in Kentucky in 2009 when it acquired Croney & Clark Inc., a respected and well-established provider of professional therapeutic care to children and families in eastern Kentucky. This year, KVC Kentucky President, Elizabeth Croney, received the "Champion for Children" award from Prevent Child Abuse Kentucky, which recognizes the agency's statewide leadership and high quality programs for children.

KVC's philosophy that "children grow best in families" is demonstrated by positive outcomes across its IMPACT Plus and Diversion programs, which serve to divert families from out-of-

home or future care placement. The rapid expansion of programs into eastern Kentucky in the last year demonstrates the demand for the quality services that KVC Kentucky's community-based programming provides.



619 children and caregivers served by Impact Plus

KVC Kentucky's intensive in-home program diverted an average of **92%** of children from out-of-home care



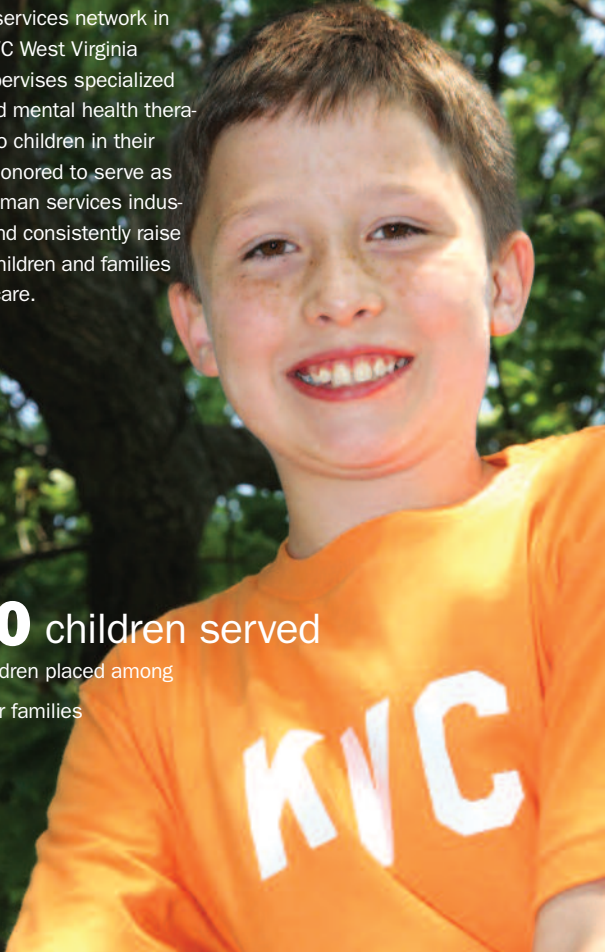
KVC Behavioral HealthCare West Virginia, Inc.

With headquarters in Charleston, KVC Behavioral HealthCare West Virginia's 160 staff members provide the most comprehensive foster care and behavioral healthcare services network in West Virginia. KVC West Virginia provides and supervises specialized foster homes and mental health therapeutic services to children in their homes. We are honored to serve as leaders in the human services industry in the state and consistently raise the bar for how children and families in crisis receive care.

1,500 children served

295 foster children placed among

122 KVC foster families



KVC Behavioral HealthCare Nebraska, Inc.

KVC began providing services to Nebraska children and families in November 2009, as a partner in the Family Matters initiative developed by the Nebraska Department of Health and Human Services Child Welfare and Office of Juvenile Services Reform. As a part of this initiative, KVC works to improve safe and timely permanency for children and families and keep kids from out-of-state placement. KVC currently provides services to thousands children in crisis and their families throughout 19 heavily populated counties of southeast and eastern Nebraska. We firmly believe excellence

is not an act; it's a habit, and we have extended that mentality to our innovative services in Nebraska.



97%

of children safely and permanently reunified with their parents

4,500 children served – one third of all children in care in Nebraska

422 foster children placed among 264 KVC foster families

“Making a difference in one child’s life can change the world. Making a difference in thousands of children’s lives is simply what KVC does. They restore hope, create families and bring love to children’s futures... there’s not a more noble calling.”

– Olathe, Kan., Mayor Michael Copeland

“KVC’s leadership in managing change and its nimbleness and flexibility to take on new challenges, combined with its exceptional mental health and human services expertise, make KVC a ‘best-practice model’ for others to emulate across the country.”

– Teresa A. Markowitz, Chief of Staff, The Annie E. Casey Foundation

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KVC Mission: To enrich and enhance the lives of children and families by providing medical and behavioral health care, social services and education.