

PHOENIX HOUSE FINANCES

Operating revenues totaled \$127 million for the fiscal year ended June 30, 2012, with a 7% increase in client and third party revenues, reflecting the growth in private insurance income. Government contract payments, although slightly below prior year's levels, still remained our primary source of support. Since government payments do not always cover the full cost of client care, however, some programs are dependent on contributions and other income sources to make up the difference.

An operating deficit of \$3.2 million in FY 2012 reflects both reductions in government funding and contributions as well as investments in alternate revenue sources—primarily from private insurance—to accommodate changes in the delivery of behavioral healthcare as a result of the Affordable Care and Mental Health Parity Acts. These changes have occasioned continued upgrading of our systems, staff, and facilities to meet the higher demands of new revenue sources.

Gains and losses from our investments beyond the amount of investment income budgeted for operations are shown below the line as “non-operating activities.”

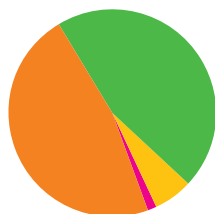
Administrative costs amounted to 18.4% of total costs, a proportionately slight decrease from FY 2011, with 80.3% of total costs dedicated to direct care of the clients we serve. We will continue to seek greater efficiency through growth in order to support the administrative sophistication required by an increasingly complex environment.

Our debt remains relatively low considering the value of our owned facilities, providing a purposeful hedge against the possible instability of government funding sources.

These statements are summarized from our audited financial statements, a copy of which is available upon request.

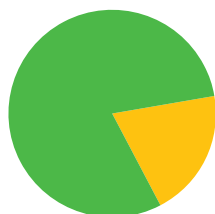
UNRESTRICTED REVENUES

- Government contract revenue
- Client and third party revenue
- Grants, contributions and donations
- Investment and other



PROGRAM EXPENSES

- Program services
- Supporting services



STATEMENT OF FINANCIAL POSITION (in \$000's)

ASSETS	JUNE 30, 2012	JUNE 30, 2011
Cash and cash equivalents	\$8,407	\$9,620
Due from government agencies, net	11,460	12,076
Investments, at fair value	12,800	13,223
Property and equipment, net	52,283	50,392
Contributions receivable, net	1,998	2,767
Other assets	6,602	5,487
TOTAL ASSETS	\$93,550	\$93,565
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	15,003	14,336
Due to government agencies	10,157	9,608
Notes Payable and Long-term debt	13,711	10,721
Agency funds	528	346
TOTAL LIABILITIES	39,399	35,011
NET ASSETS		
Unrestricted	45,226	49,297
Temporarily restricted	5,608	5,452
Permanently restricted	3,317	3,805
TOTAL NET ASSETS	54,151	58,554
TOTAL LIABILITIES AND NET ASSETS	\$93,550	\$93,565

CONDENSED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30 (in \$000's)

CHANGE IN UNRESTRICTED NET ASSETS	2012	2011
REVENUES		
Grants and contributions	\$4,705	\$5,114
Donated goods and services	3,083	3,190
Government contract revenue	60,003	62,919
Client and third party revenue	58,074	54,378
Investment income designated for operations and other revenue	1,410	1,797
TOTAL REVENUES	127,275	127,398
EXPENSES		
Program services	104,692	100,582
Fundraising	1,720	1,699
Administration and general	24,041	23,327
TOTAL EXPENSES	130,453	125,608
Change in net assets from operating activities	(3,178)	1,790
NON-OPERATING ACTIVITIES		
Investment returns, net of amounts designated for operations	(852)	1,149
Other non-operating activities (write-down of property, capital assets acquired under capital grants, etc.)	(226)	1,825
Contribution received in acquisition of Rhode Island Council on Alcoholism and other Drug Dependence (2012) and Phoenix Houses of Mid-Atlantic, Inc. (2011)	185	6,662
TOTAL CHANGE IN UNRESTRICTED NET ASSETS	(4,071)	11,426
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	156	646
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	(488)	20
Total change in net assets	(4,403)	12,092
Net assets, beginning of the year	58,554	46,462
NET ASSETS, END OF THE YEAR	\$54,151	\$58,554