

Davidson Homes Inc.

FINANCIAL REPORT

YTD 2010

(Through June 2010)

Davidson Homes in 2010

Status

The Financial Performance and Stability of any company is of key importance to all stakeholders in the company. Davidson Homes has demonstrated financial stability through over ten years of operation. Davidson Homes has provided financial stability to the persons served and employees during these years in operation. As funding for services has changed over time Davidson Homes has adapted to the changes by providing new services and seeking new funding for the persons we serve. As with our economy in general over the past few years funding challenges had been realized in all economic areas not just the areas of mental health. Davidson Homes has recognized the challenges and through financial planning and management has taken action to adapt to these challenges and changes.

Challenges (please refer to the graph on Page 2)

During the past year significant changes in state funding for residential and periodic services has occurred. Although Medicaid Funding has also been somewhat reduced there have been some opportunities to compensate for lost State Funding with Medicaid Funding available for alternative services. (cont. pg. 2)

Davidson Homes Mission Statement:

We at Davidson Homes are committed to the highest quality of life for the people we support. Our goal is to assist individuals with developmental disabilities in the pursuit of independent living and reaching their personal goals while maintaining a person centered philosophy.

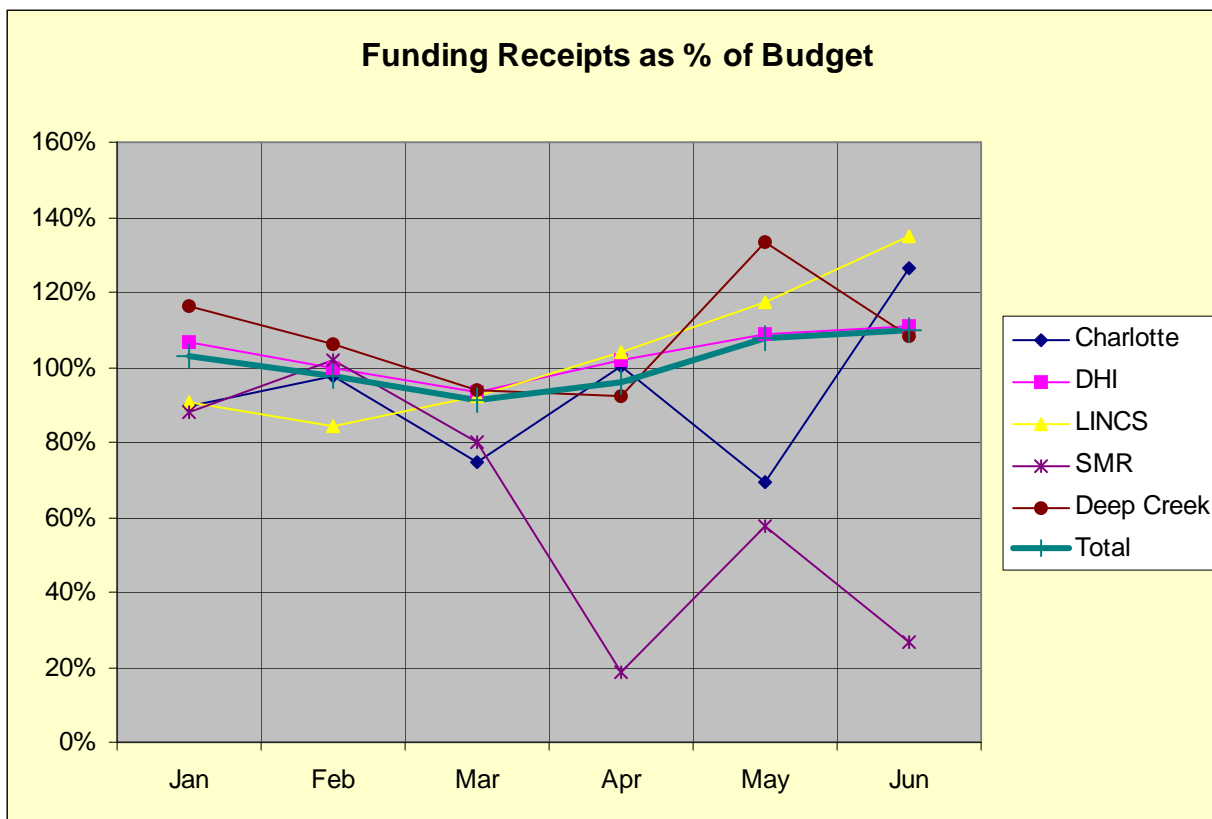


Please visit our website as it provides on-going information to keep you informed of our activities and events:

www.davidsonhomes.org

Through June 2010 Funding receipts have been somewhat about the expected Budget. Funding Receipts as a percent of the expected budgeted amounts are shown the table and graph below. Although some programs have had difficulty some programs have shown growth in 2010 YTD. Davidson Homes will continue to strive to provide services for those persons we serve with a person-centered approach. Because of funding reductions in certain areas Davidson Homes has attempted to find alternative funding for those we serve and will continue with this approach throughout 2010. Davidson Homes will continue to emphasize the LINCS Day Program, which has historical provided excellent services to those we serve. We have budgeted funds for 2010 for accessibility considerations for those persons we serve and restructured the program to provide even better activities and logistics for those we serve. Transportation is provided to those attending the program on request.

2010 YTD - June Cost Center Funding Variance as % of Budget						
Cost Centers	Jan	Feb	Mar	Apr	May	Jun
Charlotte	90%	98%	75%	100%	70%	126%
DHI	106%	99%	93%	102%	109%	111%
LINCS	91%	84%	92%	104%	117%	135%
DIV VR	0%	85%	2%	8%	14%	45%
SMR	88%	102%	80%	19%	58%	26%
Deep Creek	117%	106%	94%	92%	133%	108%
Total	103%	98%	91%	96%	108%	110%



Funding Changes Since 2007 by Source

	2007	2008	2009	2010
Educational	100%	204%	219%	217%
Medicaid Services	100%	105%	111%	102%
Other	100%	488%	388%	245%
State Funds	100%	120%	98%	73%

The table above illustrates the funding changes since 2007. All years after 2007 are compared to 2007 funding. 2010 data is estimated based on the 2010 budget projections. Please note the table displays percents rather than actual revenue. The most significant issue has been the lost of State Funds for Residential Programs. The trend began in 2009 and has continued into 2010. Although some funding losses have been realized in certain Medicaid Programs Davidson Homes has been able to obtain some Medicaid Service funds for those individuals who lost State Funds. Notice that all Funding Sources grew from 2007 to 2008 and from 2008 through 2009 that State Funding has decreased and the State Funding decrease continues to even more significant in 2010. Medicaid Funding grew through 2009 but was expected to decrease somewhat in 2010. In actuality the Medicaid Funds have not decreased YTD in 2010 and is the reason for this is that the funding budget is slightly better than expected. This has been due to positive results from efforts to maintain services for those persons we serve.

Looking Forward to 2nd Half of 2010

During the coming fiscal year, Davidson Homes, Inc. will continue to improve the quality of its service delivery through the achievement of the following goals:

1. We will continue to utilize our new system of **Outcome Assessment** to record our activities and establish goals/benchmarks. The results will be published on our website and the annual report.
2. We are confident that **CARF** will again see our strengths and grant us extended accreditation in July.
3. Davidson Homes, Inc. has established **goals** or **benchmarks**. We will continue to seek to improve each of these in 2010.
4. We will become much more pro-active and will continue to improve our **Safety and Health** programs and **Emergency Management**.
5. **Positively** is one of our basic strengths. In 2010, we will strive to make this a part of our programs, image, staff attitude, and above all, evidenced through and in the persons we serve.
6. Davidson Homes provides financial stability and maintains sufficient funds to operate all programs.