Consolidated Financial Statements
June 30, 2012

Marc Center of Mesa, Inc. and Affiliates

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Marc Center of Mesa, Inc. and Affiliates
Mesa, Arizona

We have audited the accompanying consolidated statement of financial position of Marc Center of Mesa, Inc. (a nonprofit organization) and Affiliates (collectively, the Organization) as of June 30, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Marc Center of Mesa, Inc. and Affiliates as of June 30, 2011, which were audited by other auditors, whose report dated October 21, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules on pages 23-30 are presented for the purpose of additional analysis and are 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 our audit 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 taken as a whole.

Eide Bailly LLP

Phoenix, Arizona
October 26, 2012

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	2012	2011
Assets		
Cash and cash equivalents	$ 5,648,588	$ 5,646,404
Consumer trust funds	70,752	49,402
Accounts receivable, net	1,621,275	1,273,871
Due from related parties	48,677	78,540
Contributions receivable, net	516,051	346,961
Prepaid expenses and other	233,922	181,803
Investments	357,716	378,221
Investments in affiliates	638,036	650,847
Property and equipment, net	22,184,961	20,858,739
Bond issuance costs, net	265,573	303,457
Deposits	158,616	43,757
Total assets	$ 31,744,167	$ 29,812,002
Liabilities and Net Assets		
Liabilities		
Consumer trust funds	$ 70,752	$ 49,402
Accounts payable	762,427	1,130,591
Accrued liabilities	2,211,121	1,761,608
Deferred revenue	191,065	135,908
Derivative financial instrument	854,424	458,685
Notes payable	165,262	249,473
Bonds payable	7,027,872	7,201,682
Total liabilities	11,282,923	10,987,349
Net Assets		
Unrestricted	17,442,482	17,841,123
Temporarily restricted	3,008,762	973,530
Permanently restricted	10,000	10,000
Total net assets	20,461,244	18,824,653
Total Liabilities and Net Assets	$ 31,744,167	$ 29,812,002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2012	Totals 2011
Revenue and Gains (Losses)					
Governmental					
Arizona Department of Economic Security	$ 9,573,701	$ -	$ -	$ 9,573,701	$ 9,596,183
Arizona Department of Health Services	14,522,046	-	-	14,522,046	14,803,286
City of Mesa	10,000	-	-	10,000	10,000
Other	-	-	-	-	206,908
Total governmental revenue	24,105,747	-	-	24,105,747	24,616,377
Other					
Service contracts	438,925	-	-	438,925	458,748
Service fees	400,298	-	-	400,298	390,746
United Way contributions	-	52,812	-	52,812	87,090
Other contributions	(8,754)	2,069,365	-	2,060,611	1,153,832
Interest income	8,159	145	-	8,304	16,309
Gain (loss) on disposition of property and equipment	(204,912)	-	-	(204,912)	(8,906)
Rental income	457,989	-	-	457,989	182,524
Income from investments in affiliates	(27,889)	-	-	(27,889)	324,264
Other	664,553	-	-	664,553	146,962
Total other revenue and gains (losses)	1,728,369	2,122,322	-	3,850,691	2,751,569
Total operating revenue and operating gains (losses) before supporting lines of business	25,834,116	2,122,322	-	27,956,438	27,367,946
Supporting lines of business revenue	65,295	-	-	65,295	1,134,181
Less costs of supporting lines of business	-	-	-	-	(1,487,257)
Gross profit (loss) on supporting lines of business	65,295	-	-	65,295	(353,076)
Total revenue and gains (losses)	25,899,411	2,122,322	-	28,021,733	27,014,870
Net assets released from restrictions	87,090	(87,090)	-	-	-
Expenses					
Program services					
Residential	6,540,686	-	-	6,540,686	6,531,030
Employment services	4,025,461	-	-	4,025,461	4,004,851
Day services	4,022,720	-	-	4,022,720	4,342,526
Home services	5,194,714	-	-	5,194,714	4,676,705
Other housing	218,965	-	-	218,965	-
Outpatient clinic	2,017,890	-	-	2,017,890	2,103,120
Total program services	22,020,436	-	-	22,020,436	21,658,232
Supporting activities					
Management and general	3,890,225	-	-	3,890,225	3,326,928
Fundraising	73,857	-	-	73,857	51,791
Supporting lines of business	4,885	-	-	4,885	911,163
Total supporting activities	3,968,967	-	-	3,968,967	4,289,882
Total expenses	25,989,403	-	-	25,989,403	25,948,114
Excess of Revenue Over Expenses Before Other Charges	(2,902)	2,035,232	-	2,032,330	1,066,756
Other Charges					
Unrealized gain (loss) on derivative financial instrument	(395,739)	-	-	(395,739)	66,425
Change in Net Assets	(398,641)	2,035,232	-	1,636,591	1,133,181
Net Assets - Beginning of Year	17,841,123	973,530	10,000	18,824,653	17,691,472
Net Assets, End of Year	$ 17,442,482	$ 3,008,762	$ 10,000	$ 20,461,244	$ 18,824,653

	Program Services								Supporting Activities				
	Residential	Employment Services	Day Services	Home Services	Other Housing	Outpatient Clinic	Total Program Services 2012	Total Program Services 2011	Management and General	Fundraising	Supporting Lines of Business	Total Supporting Activities 2012	Total Supporting Activities 2011
Salaries	$ 3,905,618	$ 2,486,817	$ 2,146,751	$ 2,775,480	$ -	$ 1,358,574	$ 12,673,240	$ 12,784,654	$ 1,988,123	$ 49,892	$ -	$ 2,038,015	$ 1,840,684
Employee-Related Expenses	766,706	387,777	423,227	504,768	-	246,716	2,329,194	2,114,547	389,532	11,033	-	400,565	479,796
Occupancy	706,569	159,897	532,470	266,114	147,963	106,125	1,919,138	1,890,103	305,719	4,416	1,909	312,044	361,392
Professional Fees	199,318	14,007	99,766	1,117,744	672	129,705	1,561,212	1,377,878	245,013	189	2,000	247,202	243,174
Transportation	265,922	124,771	208,342	80,867	18	8,215	688,135	677,031	73,650	1,022	-	74,672	107,629
Supplies	167,808	240,525	216,948	125,872	1,999	64,993	818,145	880,871	381,248	745	39	382,032	454,446
Equipment Rental	21,186	46,609	44,592	23,697	-	15,575	151,659	115,572	33,144	1,433	-	34,577	33,846
Depreciation	293,600	337,659	253,209	187,156	40,652	32,821	1,145,097	1,032,193	211,191	2,138	-	213,329	184,577
Other Expenses	213,959	227,399	97,415	113,016	27,661	55,166	734,616	785,383	262,605	2,989	937	266,531	584,338
Total Expenses	$ 6,540,686	$ 4,025,461	$ 4,022,720	$ 5,194,714	$ 218,965	$ 2,017,890	$ 22,020,436	$ 21,658,232	$ 3,890,225	$ 73,857	$ 4,885	$ 3,968,967	$ 4,289,882

Consolidated Statements of Cash Flows
Year Ended June 30, 2012
(With Summarized Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	$ 1,636,591	$ 1,133,181
Adjustments to reconcile net assets to net cash provided by operating activities		
(Amortization of) increase in discount on long-term contributions receivable	27,763	(10,133)
Amortization of bond issuance costs	37,884	37,884
Net unrealized (gain) loss on investments	10,383	(54,708)
Unrealized (gain) loss on derivative financial instruments	395,739	(66,425)
Net (gains) losses from investments in affiliates	27,889	(324,264)
Depreciation	1,358,426	1,216,770
Donated property and equipment	(194,400)	(355,000)
Loss (gain) on disposition of property and equipment	204,912	8,906
Change in allowance for doubtful accounts	(30,845)	28,636
Change in allowance for uncollectible contributions receivable	(11,400)	50,000
Change in assets and liabilities		
Accounts receivable	(316,559)	(36,387)
Contributions receivable	(185,453)	(25,840)
Due from related parties	29,863	(78,540)
Prepaid expenses and other	(52,119)	97,039
Deposits	(114,859)	(18,976)
Accounts payable	(412,642)	304,750
Accrued liabilities	449,513	(86,813)
Deferred revenue	55,157	135,908
Capital advances restricted for long-term purposes	(1,438,712)	-
Net Cash Provided by Operating Activities	1,477,131	1,955,988
Cash Flows from Investing Activities		
Purchases of investments	(66,350)	(127,498)
Proceeds from sales of investments	76,472	-
Proceeds from disposition of property and equipment	103,793	8,380
Purchases of property and equipment	(2,798,953)	(1,862,518)
Advances to affiliates	-	(88,059)
Receipt of dividends	29,400	-
Net Cash (used in) Investing Activities	(2,655,638)	(2,069,695)
Cash Flows from Financing Activities		
Collections of capital advances restricted for long-term purposes	1,438,712	-
Proceeds from borrowings on notes payable	20,027	75,000
Payments on notes payable	(104,238)	(185,745)
Payments on bonds payable	(173,810)	(165,678)
Net Cash (used in) Financing Activities	1,180,691	(276,423)
Net Change in Cash and Cash Equivalents	2,184	(390,130)
Cash and Cash Equivalents, Beginning of Year	5,646,404	6,036,534
Cash and Cash Equivalents, End of Year	$ 5,648,588	$ 5,646,404

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations

Marc Center of Mesa, Inc. (Marc Center) is a nonprofit corporation, incorporated in the state of Arizona on August 6, 1957 to provide places of residence, employment services, training, education, rehabilitation, and behavioral health services for developmentally disabled children and adults, as well as people with severe mental illness. Marc Center provides services throughout primarily Maricopa County, Arizona. During the year ended June 30, 2010, Marc Center acquired Advocates for the Disabled, Inc. (Advocates) by an action by the Board of Directors of Advocates granting Marc Center the sole power to appoint directors to the Advocates' Board. The acquisition of Advocates has been accounted for in a manner similar to the pooling of interests method.

TecMarc, Inc. (TecMarc) is an Arizona corporation and was incorporated in March 2008 to conduct the business of information technology sales and support and property management services. TecMarc has 1,000 shares of authorized common stock, all of which have been issued to Marc Center at $1 per share.

The Foundation for People with Disabilities (the Foundation) is a nonprofit corporation, incorporated in the state of Arizona on January 29, 1988, to provide housing for disabled individuals in residential settings and employment training facilities throughout Maricopa County. Marc Center is the sole member of the Foundation's Board of Directors. During the year ended June 30, 2010, the Foundation transferred substantially all of its property to Marc Center to facilitate the completion of bond financing.

The Village at Oasis Park — Phase I, Inc. (the Village) is a nonprofit corporation and was incorporated in the state of Arizona in October 2009 to provide housing for disabled individuals. The Village's Board of Directors consists of the Executive Committee of Marc Center and other individuals selected by the Executive Committee of Marc Center.

The Village at Oasis Park — Phase II, Inc. (the Village II) is a nonprofit corporation and was incorporated in the state of Arizona in August 2010 to provide housing for disabled individuals. The Village II's Board of Directors consists of the Executive Committee of Marc Center and other individuals selected by the Executive Committee of Marc Center.

Prior Year Summarized Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or by function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2011 from which the summarized information was derived.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Marc Center, Advocates, TecMarc, the Foundation, the Village, and the Village II (collectively, the Organization). All significant inter-organization transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Accounts receivable are considered past due 30 days after the invoice date. Accounts receivable past due 90 days or more totaled approximately $45,000 and $77,000 at June 30, 2012 and 2011, respectively. The Organization does not require collateral on accounts receivable balances and does not generally charge interest on past due balances.

Changes in the allowance for doubtful accounts were as follows for the years ended June 30:

	2012	2011
Allowance for doubtful accounts, beginning of year	$ 131,243	$ 102,607
Provision for realization losses	(1,221)	82,251
Write-offs	(29,624)	(53,615)
Allowance for doubtful accounts, end of year	$ 100,398	$ 131,243

Investments

The Organization reports investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. Investments at June 30, 2012 and 2011 totaled approximately $358,000 and $378,000, respectively, all of which were invested in mutual funds. Net unrealized gains and (losses) for the years ended June 30, 2012 and 2011 totaled approximately ($10,000) and $55,000, respectively.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization’s significant financial instruments include investments, long-term pledges, deposits, notes payable, bonds payable, and a swap agreement. For these financial instruments, carrying values approximate fair value.

Investments in and Receivables from Affiliates

The balance of investments in and receivables from affiliates consisted of the following at June 30:

	2012	2011
Partners in Recovery, LLC		
Original investment in Partners in Recovery, LLC (PIR)	$ 105,915	$ 105,915
Marc Center's share of accumulated PIR net income	511,035	452,748
FCS Premier, LLC		
Original investment in FCS Premier, LLC (FCS)	50,000	50,000
Due from FCS	253,064	210,323
Marc Center's share of accumulated FCS net losses	(274,109)	(229,630)
Losses in excess of investment and receivables	(28,955)	(30,693)
BuildMarc, LLC		
Original investment in BuildMarc, LLC (BuildMarc)	12,250	12,250
TecMarc's share of accumulated BuildMarc net income	8,836	79,934
Total investments in affiliates	$ 638,036	$ 650,847

Partners in Recovery, LLC

During the year ended June 30, 2009, Marc Center entered into an investment in PIR, a nonprofit organization, in order to provide behavioral health services. PIR is one of four Provider Network Organizations ("PNO") that are contracted with Magellan Health Services of Arizona, Inc. ("Magellan") to provide behavioral health services to adults in Maricopa County. Magellan is the Regional Behavioral Health Authority ("RBHA") contracted by the Arizona Department of Health Services for Maricopa County. Marc Center has a 50% membership interest in PIR. While Marc Center does not have control of PIR, it does have the ability to exercise significant influence over PIR and has an ongoing economic interest in the net assets of PIR. Accordingly, the Organization reports Marc Center's interest in the net assets of PIR, as well as any change in the net assets of PIR, in a manner similar to the equity method of accounting for investments in common stock.

Marc Center's investment in PIR at June 30, 2012 and 2011 was approximately $617,000 and $559,000, respectively, which includes Marc Center's original investment of approximately $106,000 plus Marc Center's share of PIR's increase in net assets of approximately $58,000 and $364,000 for the years ended June 30, 2012 and 2011, respectively.

Summarized financial statement information of PIR as of and for the years ended June 30 is as follows:

	2012 Audited	2011 Audited
Statements of financial position		
Total assets	$ 4,931,681	$ 4,902,389
Total liabilities	$ 3,697,783	$ 3,785,065
Unrestricted net assets	1,233,898	1,117,324
Total liabilities and unrestricted net assets	$ 4,931,681	$ 4,902,389
Statements of activities		
Revenue	$ 19,098,725	$ 18,993,518
Expenses		
Program services	17,095,059	17,171,065
Supporting activities	1,887,095	1,093,989
Total expenses	18,982,154	18,265,054
Change in unrestricted net assets	116,571	728,464
Marc Center's ownership percentage	50%	50%
Marc Center's share of change in net assets	$ 58,286	$ 364,232

FCS Premier, LLC

During the year ended June 30, 2010, Marc Center entered into an investment in FCS, a newly formed Arizona limited liability company, in order to provide food services training opportunities for people with disabilities at a corporate office building. Marc Center has a 50% membership interest in FCS. While Marc Center does not have control of FCS, it does have the ability to exercise significant influence over FCS and has an ongoing economic interest in the net assets of FCS. Accordingly, the Organization reports Marc Center's interest in the net assets of FCS, as well as any changes in the net assets of FCS, in a manner similar to the equity method of accounting for investments in common stock. Marc Center’s initial capital contribution was $50,000.

Marc Center has recorded its 50% share of FCS’s losses. For the years ended June 30, 2012 and 2011, respectively, Marc Center recorded a loss of approximately $44,000 and $116,000 and reduced their receivable by the same amount. The remaining balance of approximately $29,000 and $31,000 was recorded in accrued liabilities on the consolidated statement of financial position. There were no distributions to the members during the years ended June 30, 2012 and 2011.

Summarized financial statement information of FCS as of and for the year ended June 30 is as follows:

	2012 (Unaudited)	2011 (Unaudited)
Balance Sheet		
Current assets	$ 67,950	$ 61,896
Fixed assets	139,567	188,536
Total assets	$ 207,517	$ 250,432
Current liabilities	$ 86,055	$ 106,790
Due to members	561,459	446,924
Notes payable	108,220	155,980
Total liabilities	755,734	709,694
Members' equity (deficit)	(548,217)	(459,262)
Total liabilities and members equity (deficit)	$ 207,517	$ 250,432
Statement of Operations		
Total revenue	$ 732,813	$ 642,465
Cost of sales	(249,290)	(222,541)
Operating expenses	(577,611)	(651,536)
Other income and expense	5,133	500
Net loss	$ (88,955)	$ (231,112)

BuildMarc, LLC

During the year ended June 30, 2010, TecMarc entered into an investment in BuildMarc, LLC ("BuildMarc") in order to provide construction services and jobs for people with disabilities. TecMarc has a 49% membership interest in BuildMarc. While TecMarc does not have control of BuildMarc, it does have the ability to exercise significant influence over BuildMarc and has an ongoing economic interest in the members' equity of BuildMarc. Accordingly, the Organization reports TecMarc's interest in the members' equity of BuildMarc, as well as any changes in the members' equity of BuildMarc, in a manner similar to the equity method of accounting for investments in common stock.

TecMarc's investment in BuildMarc at June 30, 2012 and 2011 was approximately $21,000 and $92,000, respectively, which includes TecMarc's original investment in BuildMarc of approximately $12,000 plus TecMarc's share of BuildMarc's net income (loss) of approximately $(42,000) and $76,000 for the years ended June 30, 2012 and 2011, respectively. During the year ended June 30, 2012, BuildMarc made a distribution to TecMarc in the amount of $29,400.

Summarized financial statement information of BuildMarc as of and for the year ended June 30 is as follows:

	2012 Unaudited	2011 Unaudited
Balance sheet		
Total assets	$ 99,634	$ 318,117
Total liabilities	$ 56,601	$ 129,987
Members' equity	43,033	188,130
Total liabilities and members' equity	$ 99,634	$ 318,117
Statement of operations		
Net sales	$ 184,687	$ 823,533
Cost of sales	237,999	639,254
Gross profit (loss)	(53,312)	184,279
Operating expenses and other	31,785	30,015
Net income (loss)	(85,097)	154,264
TecMarc's ownership percentage	49%	49%
TecMarc's share of net income (loss)	$ (41,698)	$ 75,589

Property and Equipment

Purchased property is stated at cost. Property acquired by gift is stated at estimated fair value at the date of the contribution. Depreciation is provided using the straight-line method over estimated useful lives ranging from four to twenty-five years. In the absence of donor restrictions on how gifts of long-lived assets must be used, the Organization does not imply time restrictions on such contributions.

Governmental Revenue

The Organization has contracts with state governmental agencies and various insurance companies to provide services to clients with developmental disabilities and severe mental illness. Revenue from these contracts is recognized as the services are performed.

Contributions

Contributions of cash or other assets are recognized as revenue when received at the estimated fair value on the date of contribution. Promises to give are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give that are received with conditions are not recognized until those conditions are substantially met, unless the likelihood that the Organization will not fulfill the conditions is remote, in which case the contribution is recognized when the promise is made. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Deferred Revenue

Deferred revenue relates to contract monies received by the Organization for programs to be completed or undertaken subsequent to the Organization's current fiscal year.

Fundraising Costs

All fundraising costs are expensed in the period incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited, determined by specific identification and estimates of time spent and benefits derived.

Reclassifications

Certain reclassifications have been made to the 2011 summarized comparative totals to conform to the 2012 presentation. The reclassifications had no impact on the change in net assets.

Income Tax Status

Marc Center, Advocates, the Foundation, the Village, and the Village II are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. FCS and PIR, in which Marc Center has an ownership interest, are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no liability or provision for federal or state income taxes for Marc Center, Advocates, the Foundation, the Village, the Village II, FCS, or PIR is reflected in the accompanying consolidated financial statements.

TecMarc is a limited liability company (LLC). The taxable income of TecMarc is reported on the shareholders' tax returns and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of June 30, 2012 and 2011, the unrecognized tax benefit accrual was zero. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organization is no longer subject to Federal tax examination by tax authorities for years before 2009 and state examinations for years before 2008.

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Note 2 - Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2012	2011
Receivable in less than one year	$ 522,905	$ 507,050
Receivable in one to five years	218,348	48,750
Total contributions receivable	741,253	555,800
Less- unamortized discount	(36,602)	(8,839)
Subtotal	704,651	546,961
Less - allowance for uncollectible contributions	(188,600)	(200,000)
Total contributions receivable, net	$ 516,051	$ 346,961

Contributions receivable due in more than one year were discounted using rates of approximately 5%.

Administrative and Day Services Program Building

Contributions receivable at June 30, 2012 and 2011 included two promises to give related to the administrative and day services program building capital campaign in previous years totaling approximately $133,000 and $152,000, respectively (net of unamortized discount on long-term promises to give totaling approximately $18,000 and $9,000 at June 30, 2012 and 2011, respectively).

Employment Building

Contributions receivable at June 30, 2012 and 2011 included one promise to give related to the employment building capital campaign from previous years totaling approximately $140,000 and $190,000, respectively (net of unamortized discount on long-term promises to give totaling approximately $19,000 and $0 at June 30, 2012 and 2011, respectively).

Note 3 - Conditional Promises to Give

During the years ended June 30, 2007 and 2006, the Organization received conditional promises to give as part of agreements with Value Options (Magellan replaced Value Options as the RBHA contracted for Maricopa County during the year ended June 30, 2008). Under the 2007 agreement, unrestricted title to two single-family residences, with an estimated value of $607,000 at the date of the agreements, will be transferred to the Organization if certain conditions are met. Under the 2006 agreement, unrestricted title to one single-family residence, with an estimated value of $300,000 at the date of the agreement, will be transferred to the Organization if certain conditions are met. The condition for the transfer of title is that the Organization functions as landlord of the residences for a period of twenty-five years. During this period, the Organization will collect rent from the tenants and will be responsible for repairs and maintenance on the residences. Once all conditions have been met, the Organization will recognize the fair value of the property in the consolidated financial statements.

During the year ended June 30, 2002, the Organization received a conditional promise to give as part of an agreement with Value Options. Under the agreement, unrestricted title to a 12-unit apartment building will be transferred to the Organization if certain conditions are met; the estimated value of the property was $450,000 at June 30, 2002. The condition for the transfer of title is that the Organization functions as landlord of the building for a period of fifteen years. During this period, the Organization will collect rent from the tenants and will be responsible for repairs and maintenance on the building. Under a separate agreement with Magellan, the Organization provides services to the tenants of the building. Once all conditions have been met, the Organization will recognize the fair value of the property in the consolidated financial statements.

Note 4 - Property and equipment

Property and equipment consisted of the following at June 30:

	2012	2011
Land	$ 4,369,097	$ 4,399,756
Buildings	18,650,341	18,264,238
Leasehold improvements	934,670	854,978
Vehicles	1,433,830	1,567,701
Furniture and equipment	1,360,163	1,357,555
Construction in progress	2,574,625	489,806
Total property	29,322,726	26,934,034
Less - accumulated depreciation	(7,137,765)	(6,075,295)
Property, net	$ 22,184,961	$ 20,858,739

Depreciation expense for the years ended June 30, 2012 and 2011 totaled approximately $1,358,000 and $1,217,000, respectively.

In November 2008, the City of Mesa transferred title to one residential property and one commercial property to the Organization. Approximately $270,000 of temporarily restricted contribution revenue was recognized by the Organization during the year ended June 30, 2009 related to the transfer of these properties. The transfer agreements stipulated that the properties must be used in qualifying programs for five years from the date of the transfers. In addition, the Organization was required to sign two promissory notes to the City of Mesa totaling $399,000, which will be forgiven at the end of the five year period if the Organization has used the properties as required. The notes do not accrue interest and the Organization is not required to make any payments. Since the Organization believes that the probability of triggering any payments on this note is highly remote, the $399,000 has not been recorded as a liability in the accompanying consolidated statement of financial position.

In June 2010, the City of Mesa transferred title to two residential properties to the Organization. The transfer agreements stipulate that the properties must be used as affordable rental housing and that the properties cannot be sold without written approval from the City of Mesa for twenty years from the date of the transfers. Approximately $233,000 of temporarily restricted contribution revenue was recognized by the Organization during the year ended June 30, 2010 related to the transfer of these properties.

In April 2011, the city of Mesa transferred title to four residential properties to the Organization. The transfer agreements stipulate that the properties must be used as affordable rental housing and that the properties cannot be sold without written approval from the City of Mesa for twenty years from the date of the transfers.

Approximately $355,000 of temporarily restricted contribution revenue was recognized by the Organization during the year ended June 30, 2011 related to the transfer of these properties.

Note 5 - Bond Issuance Costs

Bond issuance costs consist of legal costs, underwriting fees, printing, and other costs incurred to obtain, secure, and rate the bonds described in Note 9. These issuance costs totaled approximately $376,000 and are being amortized over the 10-year term of the bond using the straight-line method (which approximates the effective interest method). Amortization of the bond issuance costs was approximately $38,000 for each of the years ended June 30, 2012 and 2011 and is included in interest expense.

Note 6 - Notes Payable – Bank Line of Credit

The Organization has a $750,000 revolving line of credit with a bank which bears interest at the bank's prime rate (3.25% at June 30, 2012) with a 4% floor. The balance outstanding cannot exceed the balance of outstanding receivables (as defined). This line of credit is secured primarily by receivables and furniture and equipment of the Organization and expires in January 2013. There was no activity on this line of credit during the year ended June 30, 2012.

The line of credit requires the Organization to maintain certain financial ratios, such as current ratio, debt service coverage ratio, and debt to net worth ratio, as defined in the agreements. At June 30, 2012, the Organization was in compliance with these requirements.

Note 7 - Derivative Financial Instrument: Interest Rate Swap

In July 2009, the Organization entered into an interest rate swap agreement that effectively converted approximately $7,500,000 of the Organization's LIBOR-based variable-rate debt to a fixed rate. The counterparty to the swap agreement is the bank (a major U.S. financial institution) that holds the Organization's LIBOR-based variable-rate bonds payable. Under the swap agreement, the Organization pays interest at a fixed rate of 4.8% and, in return, receives interest at a variable rate based on 65% of the one-month LIBOR rate (0.2432% at June 30, 2012) plus a margin of 2.125%. The net effect of the swap is to fix the interest rate on $7,500,000 of the Organization's LIBOR-based variable-rate bond payable at 4.8%.

The interest rate swap agreement qualifies as a cash flow hedge, and accordingly, the fair value of the interest rate swap agreement, which is adjusted regularly, is recorded in the Organization's consolidated statement of financial position as an asset or liability, as necessary, with a corresponding adjustment to other charges. The fair value of the Organization's interest rate swap at June 30, 2012 and 2011 was a liability totaling approximately $854,000 and $459,000, respectively. The unrealized holding loss on this interest rate swap was approximately $396,000 for the year ended June 30, 2012. The unrealized holding gain on this interest rate swap was approximately $66,000 for the year ended June 30, 2011.

Note 8 - Notes Payable

Notes payable consisted of the following at June 30:

	2012	2011
Notes payable to banks and finance companies; due in monthly installments totaling approximately $8,000, including interest ranging from 7.41% to 8.25%, with a weighted average interest rate of 7.42%; maturing at various dates through July 2013; collateralized by vehicles and equipment.	$ 28,096	$ 86,919
Note payable to a finance company; due in monthly installments of approximately $4,000, including interest at approximately 6.4%; final payment in June 2013; collateralized by software and equipment.	43,226	87,554
Note payable to the Arizona Community Foundation; principal balance due at maturity with no interest accrued; maturing in July 2012. Note payable balance paid in full in July 2012.	75,000	75,000
Note payable to a finance company; due in monthly installments of approximately $381, including interest at approximately 5.24%; final payment in February 2017; collateralized by a vehicle.	18,940	-
Total notes payable	$ 165,262	$ 249,473

Annual principal payments on notes payable are scheduled as follows:

Year Ending June 30	
2013	$ 149,041
2014	4,821
2015	4,076
2016	4,295
2017	3,029
Total notes payable	$ 165,262

Interest expense for the years ended June 30, 2012 and 2011 totaled approximately $357,000 and $435,000, respectively, which includes interest on the notes payable above and on the bonds payable (Note 9). In addition, approximately $38,000 of interest expense for both years ended June 30, 2012 and 2011 was amortization on the bond issuance costs (Note 5).

Note 9 - Bonds Payable

In July 2009, the Organization entered into loan agreements with the Industrial Development Authority of the County of Maricopa to issue Community Services Facilities Revenue Bonds, Series 2009A ("Series 2009A") in the amount of $7,500,000 for a term of ten years, and to issue Community Services Facilities Revenue Bonds, Series 2009B ("Series 2009B") in the amount of $1,620,929 for a term of eleven years and six months. Series 2009A and Series 2009B (collectively "the Bonds") are collateralized by certain real property as set forth in the agreements. The Organization borrowed the full amount of $7,500,000 under Series 2009A, and approximately $7,028,000 and $7,202,000 was outstanding at June 30, 2012 and 2011, respectively. As of June 30, 2012, no amounts had been borrowed under Series 2009B.

Interest on the Bonds is payable monthly under variable interest rate provisions. Series 2009A is due in monthly principal amounts of approximately $13,000 to $20,000 with a final balloon payment in July 2019. Series 2009A bears interest at 65% of the one-month LIBOR rate (.02432% at June 30, 2012) plus 2.125%. Series 2009A is subject to an interest rate swap agreement (Note 7). Series 2009B bears interest at an annual floating rate equal to the sum of 65% of the prime rate (3.25% at June 30, 2012) plus .65%, but not less than 3.90% annually.

Annual principal payments on the bonds payable are scheduled as follows:

Year Ending June 30	
2013	$ 182,336
2014	191,288
2015	200,672
2016	210,518
2017	212,172
Thereafter	6,030,886
Total bonds payable	$ 7,027,872

The Organization is required to maintain certain net asset, liquidity, and indebtedness ratios, and must comply with other general covenants of the Loan Agreement. As of June 30, 2012, the Organization was in compliance with those requirements.

Note 10 - Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2012	2011
Restrictions on donated property (Note 4)	$ 1,148,167	$ 857,514
Housing for very low income residents	1,778,712	-
Time restrictions on contributions receivable	52,812	87,090
Other	29,071	28,926
Total temporarily restricted net assets	$ 3,008,762	$ 973,530

Permanently restricted net assets are to be maintained in perpetuity. The income from these funds is temporarily restricted for use in promoting independent living.

Note 11 - Cash Flow Information

Supplemental Disclosure of Cash Flow Information

Cash paid for interest was approximately $319,000 and $397,000, for the years ended June 30, 2012 and 2011, respectively.

During the year ended June 30, 2012, the Organization acquired property through notes payable of approximately $20,000.

Note 12 - Commitments

The Organization leases office space, residential houses, vehicles, and equipment under various non-cancelable operating leases that expire at various dates through January 2030. Several leases have renewal options. The Organization also leases residential houses and equipment under various month-to-month leases.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms in excess of one year are scheduled as follows:

Year Ending June 30	
2013	$ 776,356
2014	671,795
2015	502,926
2016	290,098
2017	128,402
Thereafter	516,379
Total future minimum lease payments	$ 2,885,956

Rent expense for the years ended June 30, 2012 and 2011 totaled approximately $770,000 and $1,082,000, respectively.

Note 13 - Concentrations

Revenue

The Organization received significant portions of its total revenue for the years ended June 30, 2012 and 2011 from the Arizona Department of Economic Security ("DES") and the Arizona Department of Health Services ("ADHS") through contracts that are renewed annually.

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The percentages of total revenue and the amounts of accounts receivable (before the allowance for doubtful accounts) from DES and ADHS are as follows as of and for the years ended June 30:

	2012		2011	
	Total Revenue	Accounts Receivable	Total Revenue	Accounts Receivable
DES	34%	$ 835,577	36%	$ 865,235
ADHS	52%	136,159	55%	182,555
Total	86%	$ 971,736	91%	$ 1,047,790

Revenue from Magellan makes up approximately 95% of the governmental revenue from ADHS as reported in the consolidated statement of activities for both years ended June 30, 2012 and 2011.

Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not expect to experience any such losses.

Note 14 - Employee Benefit Plans

The Organization sponsors a defined contribution plan (the "Plan") covering substantially all employees. The Plan provides for employer contributions based primarily on employee participation. The total contributions made to the Plan by the Organization were approximately $0 for the years ended June 30, 2012 and 2011. Due to uncertainties in state funding, the Organization stopped matching contributions in October 2009. However, the Organization continued to accrue matching contributions during 2011 in anticipation of making the contributions when economically feasible, and approximately $165,000 of unpaid matching contributions were included in accrued liabilities in the consolidated statement of financial position at June 30, 2012 and 2011.

The Organization has a non-qualified deferred compensation plan (the "Non-Qualified 457b Plan") covering certain executives. The Non-Qualified Plan provides for employer contributions at the discretion of the Board of Directors of the Organization. Employee deferrals are limited to 85% of annual compensation. Total contributions made to the Non-Qualified 457b Plan by the Organization were approximately $61,350 and $123,490 for the years ended June 30, 2012 and 2011, respectively.

In May 2010, after the completion of an independent executive compensation wage study, the Organization established a second non-qualified deferred compensation retirement plan (the "Non-Qualified 457f Plan") covering the current President and CEO (the "Participant"). Under the terms of the Non-Qualified 457f Plan, the Organization will distribute pre-defined post-retirement payments to the Participant over a 15-year period based on a 5-year vesting schedule beginning March 31, 2009. On June 30, 2012 and 2011, the present value of the vested post-retirement benefits was $114,000 and $89,000, respectively, and these liabilities are included in accrued liabilities in the consolidated statement of financial position. While the Organization had set aside approximately $114,000 and $89,000 at June 30, 2012 and 2011, respectively, in a separate account, these funds remain available to general creditors of the Organization.

Note 15 - Related Party Transactions

Related party transactions not elsewhere disclosed are as follows:

During the years ended June 30, 2012 and 2011, Marc Center received construction services from BuildMarc in the amount of approximately $201,000 and $224,000, respectively, of which $7,000 and $224,000, was included in accounts payable at June 30, 2012 and 2011, respectively.

During the years ended June 30, 2012 and 2011, Marc Center charged PIR for office space, programmatic services and administrative services, including accounting and management services. Additionally, PIR reimbursed Marc Center for various expenses paid by Marc Center on behalf of PIR. Marc Center received a total of approximately $434,500 and $208,000, for the years ended June 30, 2012 and 2011, respectively, of which approximately $91,500 and $79,000 was in due from related parties at June 30, 2012 and 2011, respectively.

During the year ended June 30, 2011, Marc Center entered into an agreement with two banks to guarantee certain debts of FCS. Marc Center has guaranteed FCS's line of credit, which has a limit of approximately $50,000, and had a balance of approximately $13,500 and $13,000 at June 30, 2012 and 2011, respectively. Additionally, Marc Center has guaranteed a $250,000 promissory note, which had a balance of approximately $156,000 at June 30, 2012 and 2011.

During the year ended June 30, 2011, Marc Center entered into an agreement to guarantee PIR's line of credit, which has a limit of approximately $500,000 and had a balance of approximately $0 and $500,000 at June 30, 2012 and 2011, respectively.

Note 16 - Contingencies

Periodically, the Organization is involved in legal proceedings arising in the normal course of operations. In the opinion of management based on consultations with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial to the Organizations consolidated statements of financial position and consolidated statements of activities.

Note 17 - Fair Value Measurements

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments

Investments are valued at the net asset value of shares held by the Organization. Net asset value is based on quoted market prices for identical assets.

Derivative Financial Instrument

The Organization's derivative financial instrument described in Note 7 is recorded at fair value, which has been calculated based primarily on observable interest rates and yield curves for the term of the swap.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement.

The following tables set forth by level within the fair value hierarchy related to the Organization's assets and liabilities that are measured at fair value as of June 30:

	2012			
	Level 1	Level 2	Level 3	Total
Investments	$ 357,716	$ -	$ -	$ 357,716
Derivative financial instrument	-	(854,424)	-	(854,424)

	2011			
	Level 1	Level 2	Level 3	Total
Investments	$ 378,221	$ -	$ -	$ 378,221
Derivative financial				

Note 18 - Subsequent Events

Subsequent events were evaluated by management through October 26, 2012, the date on which the consolidated financial statements were available to be issued. There were no events or transactions occurring after June 30, 2012, but prior to October 26, 2012, that provided additional evidence about conditions that existed at June 30, 2012.

Supplementary Information
June 30, 2012

Marc Center of Mesa, Inc. and Affiliates

	Marc Center of Mesa, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Village at Oasis Park Phase II, Inc.	Eliminations	Consolidated
Assets							
Cash and cash equivalents	$ 4,268,780	$ 375,260	$ 275,778	$ 168,515	$ 560,255	$ -	$ 5,648,588
Consumer trust funds	70,752	-	-	-	-	-	70,752
Accounts receivable, net	1,223,173	16,548	-	381,554	-	-	1,621,275
Due from related parties	2,252,076	-	-	-	-	(2,203,399)	48,677
Contributions receivable, net	176,051	-	-	200,000	140,000	-	516,051
Prepaid expenses and other	233,922	-	-	-	-	-	233,922
Investments	357,716	-	-	-	-	-	357,716
Investments in affiliates	617,950	21,086	-	-	-	(1,000)	638,036
Property and equipment, net	19,884,654	127,884	606	2,171,817	-	-	22,184,961
Bond issuance costs, net	265,573	-	-	-	-	-	265,573
Deposits	149,166	9,450	-	-	-	-	158,616
Total Assets	$ 29,499,813	$ 550,228	$ 276,384	$ 2,921,886	$ 700,255	$ (2,204,399)	$ 31,744,167
Liabilities and Net Assets							
Liabilities							
Consumer trust funds	$ 70,752	$ -	$ -	$ -	$ -	$ -	$ 70,752
Accounts payable	743,646	1,062,891	-	599,034	560,255	(2,203,399)	762,427
Accrued liabilities	1,693,605	36,092	-	481,424	-	-	2,211,121
Deferred revenue	189,019	2,046	-	-	-	-	191,065
Derivative financial instrument	854,424	-	-	-	-	-	854,424
Notes payable	165,262	-	-	-	-	-	165,262
Bonds payable	7,027,872	-	-	-	-	-	7,027,872
Total Liabilities	10,744,580	1,101,029	-	1,080,458	560,255	(2,203,399)	11,282,923
Net Assets							
Unrestricted	17,554,254	(551,801)	237,313	202,716	-	-	17,442,482
Common stock	-	1,000	-	-	-	(1,000)	-
Total Unrestricted	17,554,254	(550,801)	237,313	202,716	-	(1,000)	17,442,482
Temporarily restricted	1,200,979	-	29,071	1,638,712	140,000	-	3,008,762
Permanently restricted	-	-	10,000	-	-	-	10,000
Total Net Assets (Deficit)	18,755,233	(550,801)	276,384	1,841,428	140,000	(1,000)	20,461,244
Total Liabilities and Net Assets	$ 29,499,813	$ 550,228	$ 276,384	$ 2,921,886	$ 700,255	$ (2,204,399)	$ 31,744,167

	Marc Center of Mesa, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 4,992,909	$ 167,809	$ 275,686	$ 210,000	$ -	$ 5,646,404
Consumer trust funds	49,402	-	-	-	-	49,402
Accounts receivable, net	1,131,668	142,203	-	-	-	1,273,871
Due from related parties	984,958	-	-	-	(906,418)	78,540
Contributions receivable, net	346,961	-	-	-	-	346,961
Prepaid expenses and other	167,058	14,745	-	-	-	181,803
Investments	378,221	-	-	-	-	378,221
Investments in affiliates	558,663	92,184	-	-	-	650,847
Property and equipment, net	20,846,468	11,262	1,009	-	-	20,858,739
Bond issuance costs, net	303,457	-	-	-	-	303,457
Deposits	27,007	16,750	-	-	-	43,757
Total Assets	$ 29,786,772	$ 444,953	$ 276,695	$ 210,000	$ (906,418)	$ 29,812,002
Liabilities and Net Assets						
Liabilities						
Consumer trust funds	$ 49,402	$ -	$ -	$ -	$ -	$ 49,402
Accounts payable	1,109,050	606,355	-		(584,814)	1,130,591
Accrued liabilities	1,713,373	359,839	-	10,000	(321,604)	1,761,608
Deferred revenue	100,347	35,561	-	-	-	135,908
Derivative financial instrument	458,685	-	-	-	-	458,685
Notes payable	249,473	-	-	-	-	249,473
Bonds payable	7,201,682	-	-	-	-	7,201,682
Total Liabilities	10,882,012	1,001,755	-	10,000	(906,418)	10,987,349
Net Assets						
Unrestricted	17,960,156	(556,802)	237,769	200,000	-	17,841,123
Temporarily Restricted	944,604	-	28,926	-	-	973,530
Permanently Restricted	-	-	10,000	-	-	10,000
Total Net Assets (Deficit)	18,904,760	(556,802)	276,695	200,000	-	18,824,653
Total Liabilities and Net Assets	$ 29,786,772	$ 444,953	$ 276,695	$ 210,000	$ (906,418)	$ 29,812,002

	Marc Center of Mesa, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Village at Oasis Park Phase II, Inc.	Eliminations	Consolidated
Revenue and Gains (Losses)							
Governmental							
Arizona Department of Economic Security	$ 9,573,701	$ -	$ -	$ -	$ -	$ -	$ 9,573,701
Arizona Department of Health Services	14,522,046	-	-	-	-	-	14,522,046
City of Mesa	10,000	-	-	-	-	-	10,000
Total governmental revenue	24,105,747	-	-	-	-	-	24,105,747
Other							
Service contracts	438,925	-	-	-	-	-	438,925
Service fees	400,298	-	-	-	-	-	400,298
United Way contributions	52,812	-	-	-	-	-	52,812
Other contributions	274,298	-		1,646,313	140,000	-	2,060,611
Interest income	7,281	-	1,023	-	-	-	8,304
Loss on disposition of property	(204,912)	-	-	-	-	-	(204,912)
Rental income	457,989	-	-	-	-	-	457,989
Income (loss) from investments in affiliates	13,809	(41,698)	-	-	-	-	(27,889)
Other	664,553		-	-	-	-	664,553
Total other revenue and gains (losses)	2,105,053	(41,698)	1,023	1,646,313	140,000	-	3,850,691
Total operating revenue and operating gains (losses) before supporting lines of business	26,210,800	(41,698)	1,023	1,646,313	140,000	-	27,956,438
Supporting Lines of Business Revenue	-	109,227	-	-	-	(43,932)	65,295
Less Costs of Supporting Lines of Business	-	-	-	-	-	-	-
Gross profit (loss on supporting lines of business	-	109,227	-	-	-	(43,932)	65,295
Total revenue and gains (losses)	26,210,800	67,529	1,023	1,646,313	140,000	(43,932)	28,021,733
Expenses							
Program services							
Residential	6,540,686	-	-	-	-	-	6,540,686
Employment services	4,025,461	-	-	-	-	-	4,025,461
Day services	4,022,720	-	-	-	-	-	4,022,720
Home services	4,851,006	387,640	-	-	-	(43,932)	5,194,714
Other housing	218,965	-	-	-	-	-	218,965
Outpatient clinic	2,017,890	-	-	-	-	-	2,017,890
Total program services	21,676,728	387,640	-	-	-	(43,932)	22,020,436
Supporting Activities							
Management and general	3,888,891	-	1,334	-	-	-	3,890,225
Fundraising	73,857	-	-	-	-	-	73,857
Supporting lines of business	-	-	-	4,885	-	-	4,885
Total supporting activities	3,962,748	-	1,334	4,885	-	-	3,968,967
Total expenses	25,639,476	387,640	1,334	4,885	-	(43,932)	25,989,403
Excess of Revenue Over Expenses (Expenses Over Revenue) Before Other Charges	571,324	(320,111)	(311)	1,641,428	140,000	-	2,032,330
Other Charges							
Unrealized gain (loss) on derivative financial instrument	(395,739)	-	-	-	-	-	(395,739)
Change in Net Assets	175,585	(320,111)	(311)	1,641,428	140,000	-	1,636,591
Issuance of Common Stock	-	1,000	-	-	-	(1,000)	-
Net Assets (Deficit), Beginning of Year	18,904,760	(556,802)	276,695	200,000	-	-	18,824,653
Transfer of Net Assets	(325,112)	325,112	-	-	-	-	-
Net Assets (Deficit), End of Year	$ 18,755,233	$ (550,801)	$ 276,384	$ 1,841,428	$ 140,000	$ (1,000)	$ 20,461,244

	Marc Center of Mesa, Inc. Advocates for the Disabled	TecMarc, Inc.	Foundation for People with Disabilities	Village at Oasis Park Phase I, Inc.	Eliminations	Consolidated
Revenue and Gains (Losses)						
Governmental						
Arizona Department of Economic Security	$ 9,596,183	$ -	$ -	$ -	$ -	$ 9,596,183
Arizona Department of Health Services	14,803,286	-	-	-	-	14,803,286
City of Mesa	10,000	-	-	-	-	10,000
Other	206,908	-	-	-	-	206,908
Total governmental revenue	24,616,377	-	-	-	-	24,616,377
Other						
Service contracts	458,748	-	-	-	-	458,748
Service fees	390,746	-	-	-	-	390,746
United Way contributions	87,090	-	-	-	-	87,090
Other contributions	953,832	-		200,000	-	1,153,832
Interest income	15,222	5	1,082	-	-	16,309
Loss on disposition of property	(8,906)	-	-	-	-	(8,906)
Rental income	270,596	-	-	-	(88,072)	182,524
Income (loss) from investments in affiliates	248,675	75,589	-	-	-	324,264
Other	146,962	-	-	-	-	146,962
Total other revenue and gains (losses)	2,562,965	75,594	1,082	200,000	(88,072)	2,751,569
Total operating revenue and operating gains (losses) before supporting lines of business	27,179,342	75,594	1,082	200,000	(88,072)	27,367,946
Supporting Lines of Business Revenue	-	1,919,794	-	-	(785,613)	1,134,181
Less Costs of Supporting Lines of Business	-	(1,583,576)	-	-	96,319	(1,487,257)
Gross profit (loss on supporting lines of business	-	336,218	-	-	(689,294)	(353,076)
Total revenue and gains (losses)	27,179,342	411,812	1,082	200,000	(777,366)	27,014,870
Expenses						
Program services						
Residential	6,549,208	-	2,370	-	(20,548)	6,531,030
Employment services	4,005,406	-	-	-	(555)	4,004,851
Day services	4,397,679	-	-	-	(55,153)	4,342,526
Home services	4,721,077	-	-	-	(44,372)	4,676,705
Outpatient clinic	2,111,339	-	-	-	(8,219)	2,103,120
Total program services	21,784,709	-	2,370	-	(128,847)	21,658,232
Supporting Activities						
Management and general	3,944,990	-	-	-	(618,062)	3,326,928
Fundraising	51,791	-	-	-	-	51,791
Supporting lines of business	42,497	899,123	-	-	(30,457)	911,163
Total supporting activities	4,039,278	899,123	-	-	(648,519)	4,289,882
Total expenses	25,823,987	899,123	2,370	-	(777,366)	25,948,114
Excess of Revenue Over Expenses (Expenses Over Revenue) Before Other Charges	1,355,355	(487,311)	(1,288)	200,000	-	1,066,756
Other Charges						
Unrealized gain on derivative financial instrument	66,425	-	-	-	-	66,425
Change in Net Assets	1,421,780	(487,311)	(1,288)	200,000	-	1,133,181
Net Assets (Deficit), Beginning of Year	17,482,980	(69,491)	277,983	-	-	17,691,472
Net Assets (Deficit), End of Year	$ 18,904,760	$ (556,802)	$ 276,695	$ 200,000	$ -	$ 18,824,653

	Magellan						Non-Magellan		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Revenue									
Magellan Revenue	$ 2,537,427	$ 4,930,531	$ 2,508,720	$ 2,942,009	$ 948,382	$ 13,867,069	$ -	$ -	$ 13,867,069
Magellan, prior year adjust	-	-	-	-	-	-	-	85,696	85,696
Client Fees (Co-Pays)	-	-	603	-	-	603	-	-	603
Other Revenue	343,473	339,464	(3,166)	53,729	73,046	806,546	-	576,846	1,383,392
Interest Income	-	-	-	-	-	-	-	8,311	8,311
Business Activities Unrelated to Magellan	-	-	-	-	-	-	8,283	12,272,640	12,280,923
Total Revenue	2,880,900	5,269,995	2,506,157	2,995,738	1,021,428	14,674,218	8,283	12,943,493	27,625,994
Expenses									
Clinical Services Expenses:									
Wages:									
BHT	602,554	1,064,633	-	-	421,826	2,089,013	3,193	-	2,092,206
BH professional	54,080	45,006	490,727	-	15,002	604,815	-	-	604,815
BH paraprofessional	104,000	14,820	-	-	4,940	123,760	-	-	123,760
Nurse practitioner	-	-	383,351	-	-	383,351	-	-	383,351
CSA vocational specialists	-	-	-	1,359,985	-	1,359,985	-	-	1,359,985
Subtotal labor	760,634	1,124,459	874,078	1,359,985	441,768	4,560,924	3,193	-	4,564,117
Employee-related	179,154	282,511	223,764	206,507	97,806	989,742	301	-	990,043
Professional/outside services	29,012	1,034,173	88,979	9,959	182,379	1,344,502	-	-	1,344,502
Travel/transportation	90,321	66,158	7,746	85,471	47,652	297,348	-	-	297,348
Facility/occupancy	269,473	181,834	87,634	53,925	104,504	697,370	-	-	697,370
Depreciation	128,005	130,625	14,172	182,393	22,407	477,602	-	-	477,602
Technology	58,902	25,959	26,189	7,998	6,435	125,483	-	-	125,483
Other clinical services									-
expenses	121,081	142,572	70,093	279,246	45,399	658,391	94	-	658,485
Subtotal Clinical Services Expenses	1,636,582	2,988,291	1,392,655	2,185,484	948,350	9,151,362	3,588	-	9,154,950
Clinical Support Expenses:									
Wages:									
Program supervision	99,236	115,969	182,203	148,026	29,422	574,856	211	-	575,067
Clinical supervision	270,462	364,535	20,495	136,563	105,202	897,257	68	-	897,325
Program administrative					27,204		67		
support	83,077	120,294	150,276	-	-	353,647	-	-	353,647
Subtotal wages	452,775	600,798	352,974	284,589	161,828	1,852,964	346	-	1,853,310

	Magellan						Non-Magellan		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Clinical Support Expenses (Continued)									
Employee-Related	31,069	41,226	24,221	43,242	11,104	150,862	24	-	150,886
Professional/Outside Services	55,126	73,148	42,975	-	19,703	190,952	42	-	190,994
Travel/Transportation	635	843	495	-	227	2,200	-	-	2,200
Facility/Occupancy	25,029	33,212	19,512	(13,921)	8946	72,778	19	-	72,797
Depreciation	25,244	33,497	19,680	25,618	9,023	113,062	19	-	113,081
Technology	32,599	43,257	25,414	1,675	11,651	114,596	$ 4	-	114,600
Other Clinical Support Expenses	20,803	27,604	16,217	58,473	7,435	130,532	16	-	130,548
Subtotal Clinical Support Expenses	643,280	853,585	501,488	399,676	229,917	2,627,946	470	-	2,628,416
Business Activities Unrelated to Magellan	-	-	-	-	-	-	-	10,319,015	10,319,015
Total Clinical Services and Clinical Support Expenses	2,279,862	3,841,876	1,894,143	2,585,160	1,178,267	11,779,308	4,058	10,319,015	22,102,381
Administrative									
Salaries	276,974	506,665	240,946	158,211	98,202	1,280,998	796	-	1,281,794
Employee-related	56,619	103,572	49,254	29,689	20,074	259,208	163	-	259,371
Professional/outside services	22,280	40,757	19,382	22,236	7,899	112,554	64	-	112,618
Travel/transportation	8,770	16,042	7,629	5,454	3,109	41,004	25	-	41,029
Facility/occupancy	39,283	71,859	34,173	22,272	13,928	181,515	113	-	181,628
Depreciation	24,166	44,206	21,022	20,747	8,568	118,709	69	-	118,778
Technology	29,354	53,696	25,535	25,284	10,407	144,276	84	-	144,360
Other indirect expenses	49,898	91,277	43,407	34,287	17,691	236,560	143	-	236,703
Business activities unrelated to Magellan	-	-	-	-	-	-	-	1,510,741	1,510,741
Subtotal Administrative Expenses	507,344	928,074	441,348	318,180	179,878	2,374,824	1,457	1,510,741	3,887,022
Total Expenses	2,787,206	4,769,950	2,335,491	2,903,340	1,358,145	14,154,132	5,515	11,829,756	25,989,403
Increase (decrease) in Net Assets	$ 93,694	$ 500,045	$ 170,666	$ 92,398	$ (336,717)	$ 520,086	$ 2,768	$ 1,113,737	$ 1,636,591
FTE's - Clinical Services (by program)	32.00	88.00	18.00	64.00	22.00	224.00	0.87		
FTE's - Clinical Support (by program)	9.23	11.43	6.47	5.07	3.26	35.46	0.50		
FTE's - Administrative (by program)	5.30	9.69	4.61	3.15	1.88	24.63	0.02		

	Magellan						Non-Magellan		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Revenue									
Magellan Revenue	$ 3,069,450	$ 4,449,059	$ 2,616,106	$ 2,925,437	$ 1,033,838	$ 14,093,890	$ -	$ -	$ 14,093,890
Other Revenue	-	385,998	-	232,705	71,848	690,551	-	523,484	1,214,035
Interest Income	-	-	-	-	-	-	-	16,309	16,309
Business Activities Unrelated to Magellan	-	-	-	-	-	-	75,110	11,681,951	11,757,061
Total Revenue	3,069,450	4,835,057	2,616,106	3,158,142	1,105,686	14,784,441	75,110	12,221,744	27,081,295
Expenses									
Clinical Services Expenses:									
Wages:									
BHT	503,738	1,179,870	-	-	391,094	2,074,702	19,702	-	2,094,404
BH professional	41,600	41,600	457,943	-	41,600	582,743	-	-	582,743
BH paraprofessional	56,160	74,880	-	-	37,440	168,480	-	-	168,480
Nurse practitioner	-	-	624,469	-	-	624,469	-	-	624,469
CSA vocational specialists	-	-	-	1,322,886	-	1,322,886	-	-	1,322,886
Subtotal labor	601,498	1,296,350	1,082,412	1,322,886	470,134	4,773,280	19,702	-	4,792,982
Employee-related	146,836	256,255	235,248	201,296	91,297	930,932	3,114	-	934,046
Professional/outside services	102,623	893,371	80,738	44,977	148,553	1,270,262	-	-	1,270,262
Travel/transportation	80,575	70,573	7,910	92,291	51,210	302,559	-	-	302,559
Facility/occupancy	236,986	223,890	79,532	187,880	143,853	872,141	-	-	872,141
Depreciation	134,461	117,120	20,495	164,878	20,145	457,099	-	-	457,099
Technology	3,465	5,457	2,953	11,817	1,267	24,959	-	-	24,959
Other clinical services expenses	216,034	173,006	87,344	339,008	49,300	864,692	10,772	-	875,464
Subtotal Clinical Services Expenses	1,522,478	3,036,022	1,596,632	2,365,033	975,759	9,495,924	33,588	-	9,529,512
Clinical Support Expenses:									
Wages:									
Program supervision	107,568	120,333	87,660	139,099	31,512	486,172	4,807	-	490,979
Clinical supervision	179,399	260,522	81,346	138,122	61,908	721,297	6,233	-	727,530
Program administrative support	174,173	87,058	194,698	26,179	19,908	502,016	5,407	-	507,423
Subtotal wages	461,140	467,913	363,704	303,400	113,328	1,709,485	16,447	-	1,725,932

	Magellan						Non-Magellan		
	Outpatient				Residential				
	Seriously Mentally Ill Intensive Outpatient Services	Community Living	General Mental Health/ Substance Abuse (Clinic)	Community Service Agency: Employment	Seriously Mentally Ill Intensive Level II Services	Sub-Total Magellan Contract	Non-Magellan Comprehensive Service Provider	Business Activities Unrelated to Magellan	Total
Clinical Support Expenses (Continued)									
Employee-Related	27,968	28,379	22,058	45,988	6,873	131,266	2,561	-	133,827
Professional/Outside Services	23,206	23,546	18,302	-	5,703	70,757	149	-	70,906
Travel/Transportation	5,860	5,946	4,621	-	1,440	17,867	432	-	18,299
Facility/Occupancy	26,994	27,390	21,290	35,682	6634	117,990	2,314	-	120,304
Depreciation	26,062	26,445	20,555	29,851	6,405	109,318	289	-	109,607
Technology	32,876	33,359	25,929	3,609	8,079	103,852	287	-	104,139
Other Clinical Support Expenses	32,943	33,427	25,983	51,241	8,096	151,690	1,520	-	153,210
Subtotal Clinical Support Expenses	637,049	646,405	502,442	469,771	156,558	2,412,225	23,999	-	2,436,224
Business Activities Unrelated to Magellan	-	-	-	-	-	-	-	9,862,600	9,862,600
Total Clinical Services and Clinical Support Expenses	2,159,527	3,682,427	2,099,074	2,834,804	1,132,317	11,908,149	57,587	9,862,600	21,828,336
Administrative									
Salaries	188,118	296,327	160,334	134,550	68,798	848,127	4,603	-	852,730
Employee-related	59,881	94,326	51,037	38,609	21,900	265,753	1,465	-	267,218
Professional/outside services	94,716	149,198	80,727	78,894	34,639	438,174	2,318	-	440,492
Travel/transportation	4,062	6,398	3,462	2,881	1,485	18,288	99	-	18,387
Facility/occupancy	31,153	49,073	26,552	24,621	11,393	142,792	762	-	143,554
Depreciation	20,661	32,545	17,609	15,344	7,556	93,715	506	-	94,221
Technology	25,463	40,110	21,703	19,358	9,312	115,946	623	-	116,569
Other indirect expenses	82,940	130,649	70,690	76,129	30,333	390,741	2,030	-	392,771
Business activities unrelated to Magellan	-	-	-	-	-	-	-	1,793,836	1,793,836
Subtotal Administrative								-	-
Expenses	506,994	798,626	432,114	390,386	185,416	2,313,536	12,406	1,793,836	4,119,778
Total Expenses	2,666,521	4,481,053	2,531,188	3,225,190	1,317,733	14,221,685	69,993	11,656,436	25,948,114
Increase (decrease) in Net Assets	$ 402,929	$ 354,004	$ 84,918	$ (67,048)	$ (212,047)	$ 562,756	$ 5,117	$ 565,308	$ 1,133,181
FTE's - Clinical Services (by program)	29.00	85.00	17.00	65.00	26.00	222.00	1.06		
FTE's - Clinical Support (by program)	11.81	10.73	10.65	7.78	2.77	54.38	0.50		
FTE's - Administrative (by program)	4.64	7.31	3.95	3.83	1.67	25.35	0.11		