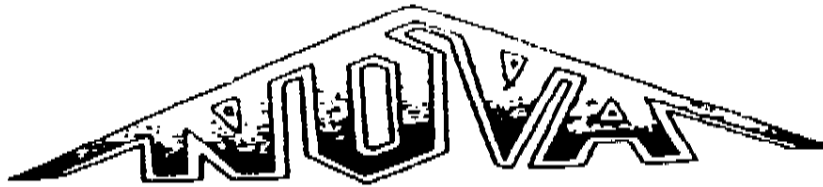




Annual Financial Report

Presented By
Prentice Alexander
Chief Financial Officer



NOVA HOUSE ASSOCIATION, INC.

Administration, Residential
 Outpatient, Training
 732 Beckman Street
 Dayton, OH 45410
 (937) 253-1680
 Fax (937) 253-8990

Nova North Star
 Halfway House
 136 Heid Avenue
 Dayton, OH 45404
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Fiscal Report to The Board of Trustees Annual Meeting May 30, 2007

The most recent fiscal audit was completed last fall. Fiscal performance was satisfactory. Revenue was at \$3,212,277 with expense at \$3,311,452. This generated a deficit of \$99,175. Cash reserves were adequate at \$807,121. This cash balance equates to about three and a half months of expense.

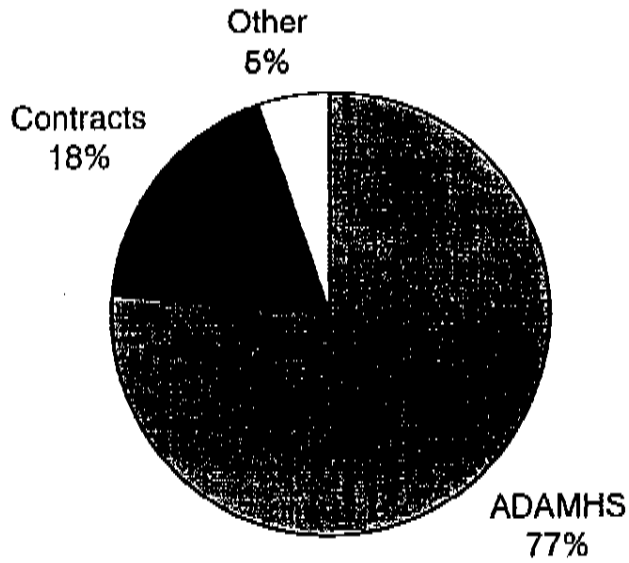
Historical trend information for FY 2000 through FY 2006 is attached. A surplus was achieved for four of the past seven fiscal years. FY 2005 represented the first year with a significant deficit. This trend is expected to continue due to flat revenue from the ADAMHS board, decrease in grant funding and growing labor and health care expense. Average residential beds and outpatient units of service decreased significantly from the prior fiscal years. Nova House residential capacity for Beckman Street is approximately 90 beds. For FY 2007, 30 beds are funded which is 33% of capacity.

Nova House faces fiscal challenges in the future. The forecast for the fiscal year ending June 30, 2007 is a deficit of approximately \$700,000. This deficit exceeds our current cash surplus. We have agreed upon temporary funding for this deficit with the ADAMHSB for approximately \$600,000. Repayment of the ADAMHSB loan will occur over the next two fiscal years as a result of over producing units of service. At present trends, cash reserves will be exhausted after FY 2008. The FY 2008 plan was prepared without cost of living raises, 401K company contributions and with a reduction in staff. Meetings continue with management, board members and ADAMHS staff to seek alternatives to reverse this negative trend.

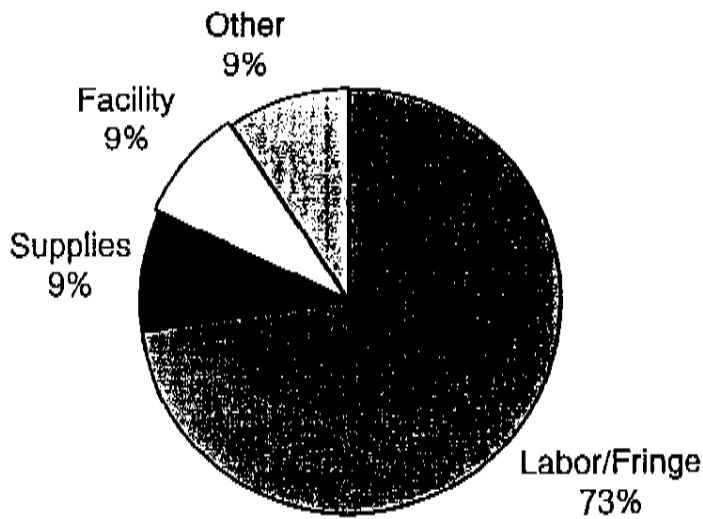
Respectfully submitted,

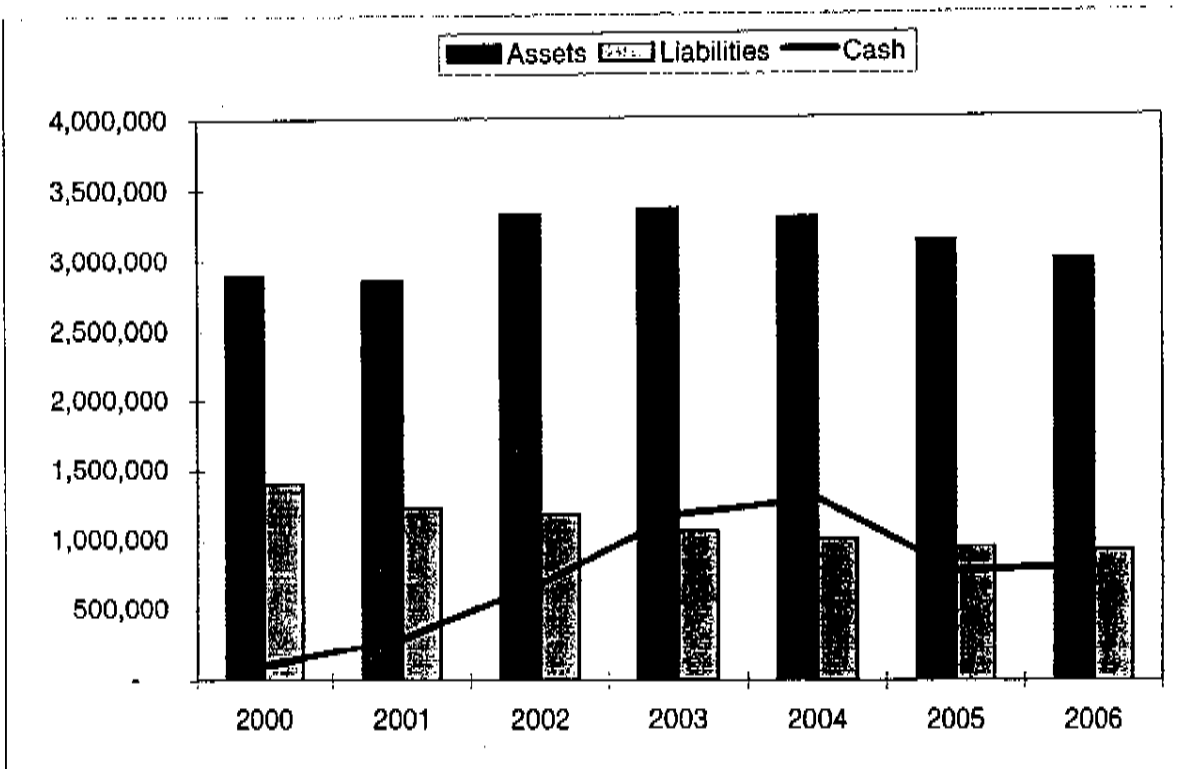
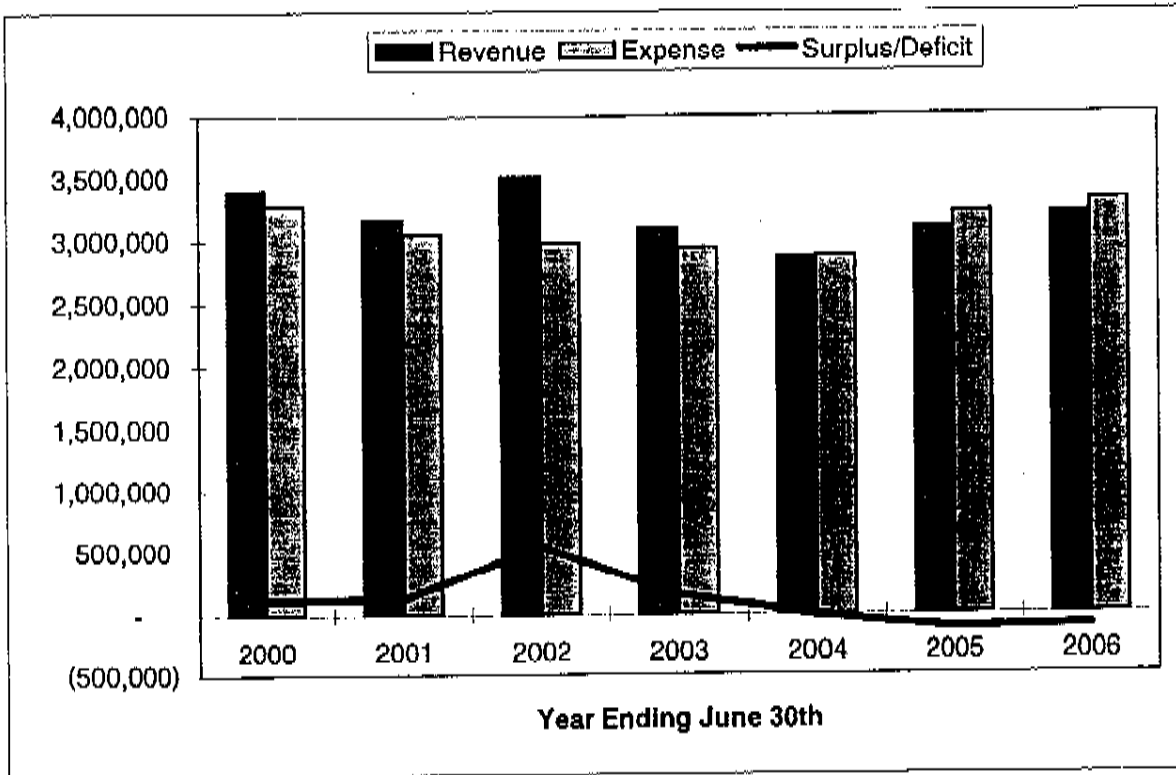
Prentice Alexander
 Chief Financial Officer

FY 2006 Revenue

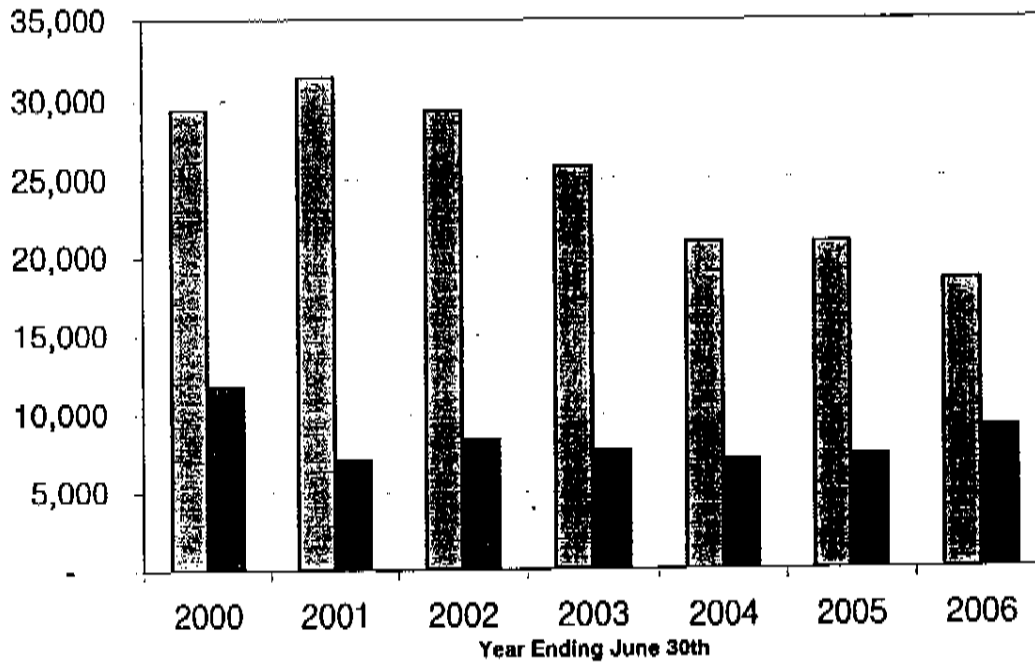


FY 2006 Expense





Units of Service



Average Beds Filled

