

Financial and Program Update- Rod Libbey, CEO

Greetings,

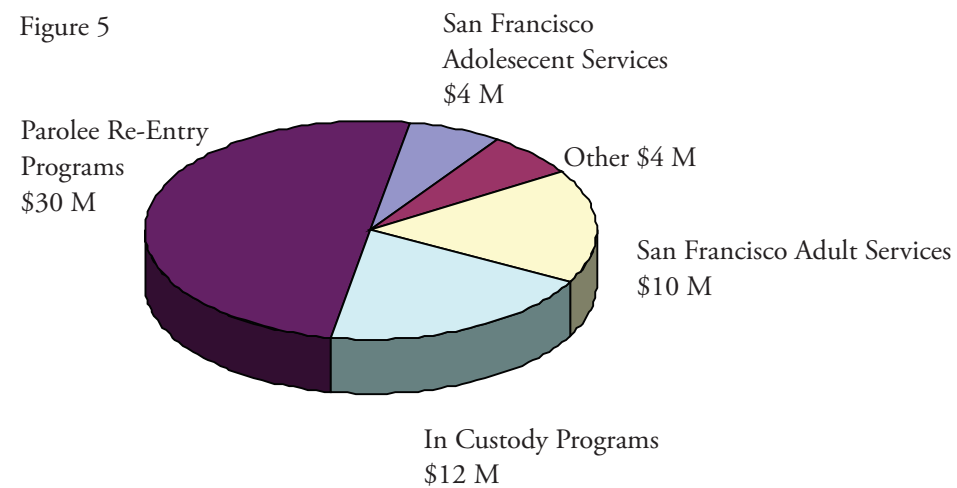
Walden House had its best financial performance in our 39 year history in FY 2007-2008. Net assets increased from a negative \$0.2M to a positive \$2.1M, and revenues grew 28% to \$60M. I attribute this success to the excellent working relationships we have developed with our two main funding sources, the City and County of San Francisco and the California Department of Corrections and Rehabilitation (CDCR), and to the sound business policies, processes and practices instituted in the past few years. Certainly CFO David Crawford and his Finance Team deserve much credit, as does our Board of Directors who provides direction and the requisite oversight.



As you will note in Figure 5, Parolee Re-entry and In-Custody Programs, funded primarily by CDCR, use 70% of our revenues. Adult and Adolescent Services in San Francisco, funded primarily by City and County of San Francisco's Department of Public Health, use 23% of our revenues.

Where Funds Are Used

Figure 5



2008-2009 promises to be another year of growth. We will add a charter school, a program in the San Bruno jail, and three trauma-informed, gender responsive programs in three women's prisons. We will increase the number of clients receiving these valuable services statewide by a 1,000 to a total of 7,000 clients served daily. Most of these clients will not only learn to live drug and alcohol free, but will improve their educations, learn job skills and secure housing. And, they will move from being some of the highest tax users in California to tax payers.

As Walden House moves into another promising year- our 40th!- we thank you for your past support and ask you to join us once again in Giving Hope and Changing Lives to thousands of Californians. Please visit our website at www.waldenhouse.org and click on 'Support Us' to learn about the many ways you can contribute to our efforts- from volunteering to donating. We have also included an envelope. Please know that your donation will be used to enhance the life giving services and programs that we provide.

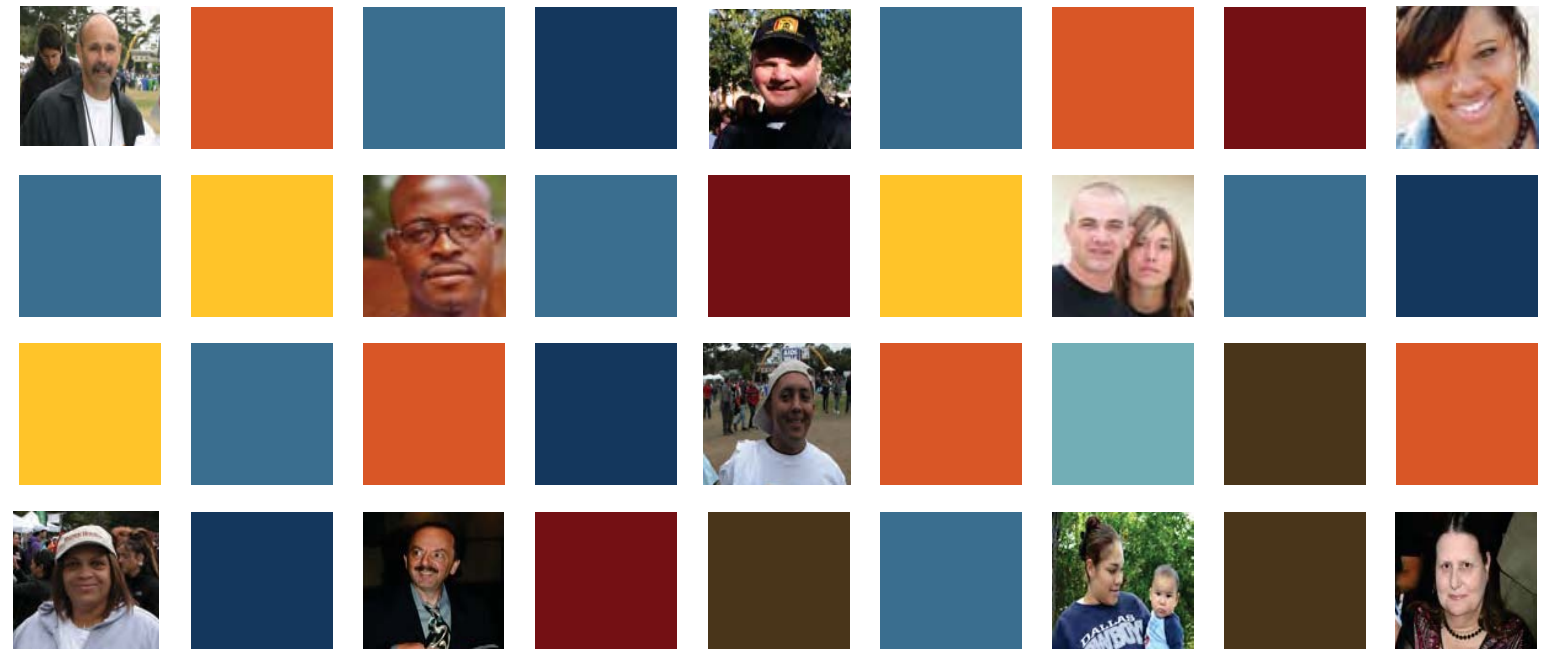
Thank you,

Rod



520 Townsend Street, San Francisco, CA 94103
 Phone: 415-554-1100 Web: www.waldenhouse.org

Walden House: Giving Hope - Changing Lives



Our clients

Who Are They?

The racial and ethnic diversity of our clients continues to be an essential part of the Walden House treatment 'culture'. Slightly over a third of our clients are African American and an almost equal percentage is Caucasian. Latino/Hispanic clients make up 22% of the client population, with Asian Pacific Islander and Native Americans each comprising 3%. (Figure 1) Our belief is that clients need to get well in a therapeutic environment that is similar to the environment they knew before they arrived, and the one to which they will 're-enter'. Maintaining a diverse therapeutic environment promotes successful re-entry. For this reason, Walden House has a 'welcoming' culture, accepting any and all who come to our doors with a desire to change.

Walden House has grown in the number of programs available to in-custody and parolee populations over the past 10 years (Figure 2), and continues to build an excellent reputation with the California Department of Corrections and Rehabilitation who fund much of this work. Additionally, we have developed special expertise in gender responsive (women's) programming. In 2007-2008, almost 35% of our clients were women in gender responsive programs, some reunited with their children while in treatment. A rich program of parenting skills mixed with other re-entry skills provides a solid foundation for re-entry for these women. In 2008-2009 Walden House will have a gender responsive program in each prison in the State.

Walden House also continues its commitment to serve homeless clients. Over 50% of our clients entering treatment in San Francisco are homeless upon admission. Through our outpatient program in 'Central City' in San Francisco, and our volunteer work at Mayor Newsom's Project Homeless Connect, Walden House has stepped up to this problem and reached out to provide services to this very needy population. One of the key objectives of the Re-Entry Program (education, jobs and housing assistance) at Walden House is to help end the cycle of homelessness by increasing the number of clients who leave Walden House with a job and a place to live.

Finally, Walden House has continued its commitment to kids. After being forced to close the adolescent residential programs at the end of 2006-2007 due to a lack of funding, Walden House forged a new relationship with the San Francisco Department of Public Health and Juvenile Probation to re-open the program with a better funding formula, and for San Francisco residents only. While the kids account for only 2% of our client population, successful outcomes for this population means so very much to families and neighborhoods, and it also decreases the likelihood that we will see them in one of our programs as an adult.



How are they doing?

One of the first indicators that we look at in terms of how are clients are doing is treatment completions. Clients in programs that treat substance abuse and co-occurring disorders have long histories of failed attempts at many things. They have failed in other treatment programs, failed to get jobs, failed to finish educational programs, failed to be responsible family members. So getting clients to 'stick and stay' in treatment is perhaps the most important goal we have. 57% of our voluntary admissions complete their treatment program, and this is well above the norm. (Figure 3)

This year we conducted a client satisfaction survey in all of the programs at Walden House. We received a lot of valuable information that will help us to improve services, but one of the most positive indicators we received is that 74% of the clients surveyed indicated that given other choices, they would still stick with their choice of seeking help at Walden House. (Figure 4) Now this may not appear to be a positive statistic to one unfamiliar with our treatment milieu, but treatment programs are hard work and require enormous resolve, so to get this kind of positive response from clients in treatment is amazing.

To gauge the success of the adolescent program, we maintain a robust case management program that helps us track and provide services to our kids after they leave the program, because whether or not kids receive continuing services is a key indicator of program success. Of the kids who completed the program during 2007-2008, 50% were linked to wrap around services in the community; 36% were in a less intensive program; and only 14% were not receiving services after treatment. We are obviously very happy with this success indicator.

Our employees

What do they say about Walden House?

Knowing that employee satisfaction is an essential part of running a successful organization, in 2006 the Walden House Executive Team launched the first Employee Opinion Survey (EOS). The Survey posed a series of questions about the work environment, management and co-workers, training opportunities, salary, and benefits. The Survey was done again in 2008 and the comparative data told us the following:

- The Performance Management program that was implemented in 2007 requiring specific objectives for all employees and quarterly meetings with managers to review their performance is working. The 2008 survey showed that 20% more employees indicated they received enough feedback from managers, and more agreed that their compensation was based on performance.
- The benefit package we offer is still an area of concern with employees. For this reason, employees will receive improved benefits coverage in 2008-2009, specifically in the areas of health plan choice, reduced employee cost for dependent coverage, and higher company contributions to the retirement plan.
- Employees have received salary increases based on performance for the past two years, and we continue to try to adjust our salaries to market. Perhaps for this reason, the EOS showed a 13% increase in the employees surveyed who believed their salaries to be 'fair and reasonable'.
- Finally, 80% of our employees report that they enjoy coming to work each day. While our goal continues to be 100%, an 80% positive response to the statement "I enjoy coming to work each day" is excellent. Considering the fact that many of our employees have long commutes each day to work in prison environments, the response is truly extraordinary.



Finally, Walden House grew substantially as an employer in 2007-2008. In June of 2008 we had 639 employees, up from 505 at that time in 2006. Next year we will add at least 100 more employees in our 3 new in-custody programs. But as we all know, its employee loyalty and performance that counts. In the non-profit sector where salaries are modest and funding is a continual struggle, turnover is always an issue, but we continue to grow a core culture where employees are incredibly devoted to the mission, always surprising us with their willingness to step up to every challenge. These employees ARE Walden House- THEY have formed the Walden House reputation in our communities as THE program of choice.

Fig. 1 Ethnicity/Race of Participants

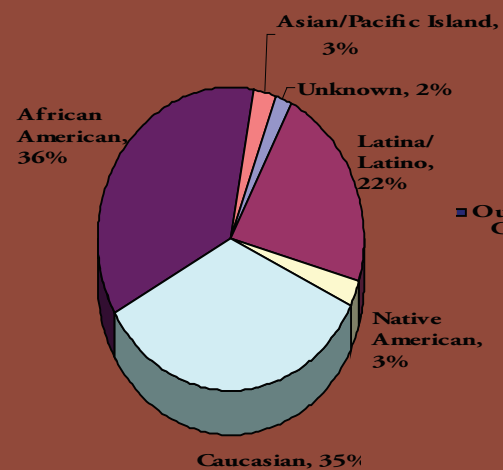


Fig. 2 Clients by Program

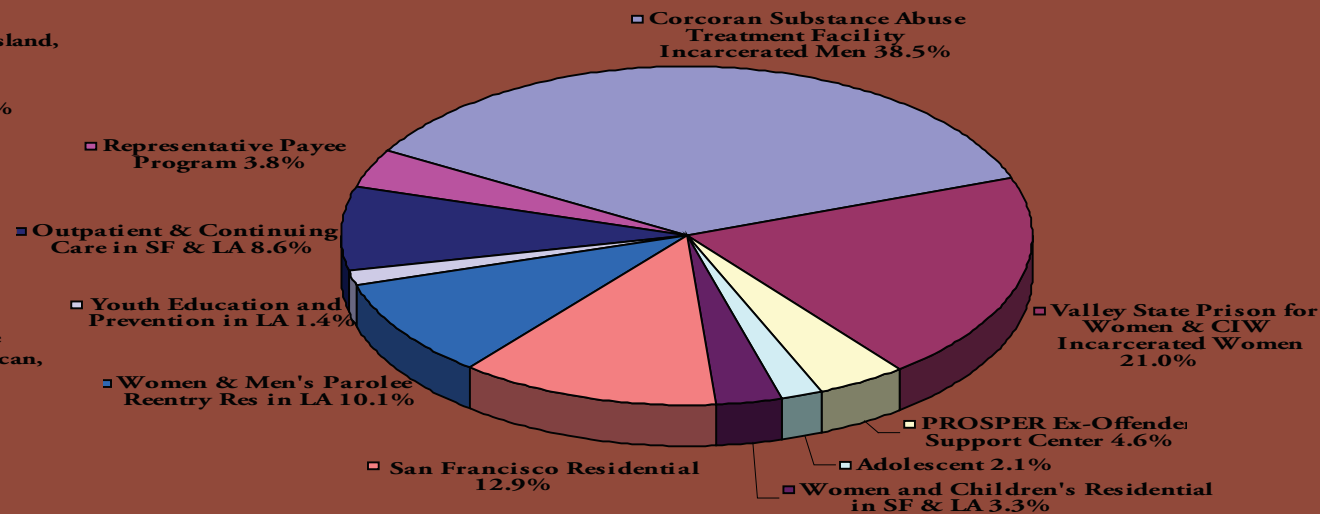


Fig. 3 Discharge Status (all Walden House Programs Combined)

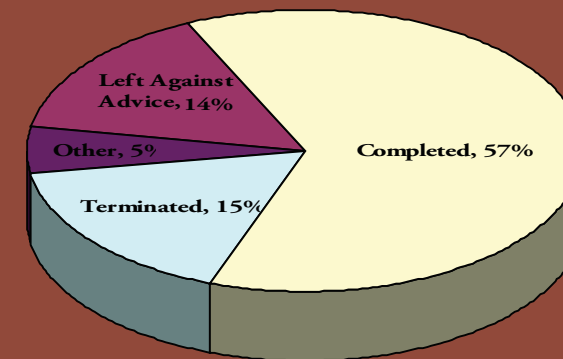


Fig. 4 Client Satisfaction

