

“Branching Out for Independence”

**WILLOWS WAY INC.
ANNUAL REPORT 2006**

December 2006

*Prepared for Willows Way Board of Directors
By
Steven Brennell
Executive Director*

WILLOWS WAY INC.

VISION STATEMENT

Willows Way Inc. believes that all people who seek personalized supports that nurture the body, mind and spirit will experience a sense of home, a feeling of security, and an avenue for personal growth in the community.

MISSION STATEMENT

Willows Way provides personalized support to individuals with challenges, promoting dignity while fostering independence, growth and life choices within the community.

BOARD OF DIRECTORS:

<i>Rhonda Brown, PhD</i>	<i>President</i>
<i>Chuck Moors</i>	<i>Vice President/Secretary</i>
<i>Nick Ippolito</i>	<i>Treasurer</i>
<i>John Spear</i>	<i>Director</i>
<i>Dennis Delfert, PhD</i>	<i>Director</i>
<i>Rich Weinstock</i>	<i>Director</i>
<i>Vince O'Connell</i>	<i>Director</i>
<i>Dick Sacks</i>	<i>Director</i>

“Branching Out for Independence”

SERVICE HIGHLIGHTS

Service Enrollment Growth:

As we finish our sixteenth year of service provision Willows Way continues successfully on our track of planned growth as projected in our 2004-2007 Strategic Plan. Our total (duplicated) service enrollments now number 143 participants in our services, relative to our strategic goal of 150 participants in services by June of 2007. And in total, we now have 125 (unduplicated) individual adults receiving services through Willows Way as compared to our Strategic Plan goal of 127 people by June of 2007.

Our service enrollment growth rate has moderated this year, partially attributable to our need to stabilize from cumulative 33% growth in the first two years of this strategic plan period, and also as a result of our decision to refrain from new service start-ups during the first half of the calendar year as we completed our relocation into our new Willows Way building. Over the 2 1/2 years of this strategic plan period Willows Way has averaged 12% annual growth in enrollments, and we foresee additional growth in the first half of calendar year 2007 as we draw to a close on the current strategic plan period

Another notable service event occurred in the second half of this year when the Board of Directors, upon completion of a three month strategic planning review process, amended our strategic organizational plan to support a new service initiative for Willow Ways. Resultantly, Willows Way has obtained a ‘Pilot Project Service Funding Grant’ from the Developmental Disabilities Resource Board of St. Charles County to launch our new “SOCIAL ENTERPRISE DEVELOPMENT” service. This will be an exciting effort to support people with disabilities in accessing employment opportunities through small business enterprises owned/operated by people with disabilities and through social enterprise projects initiated by Willows Way. The development of social enterprise opportunities for people with disabilities is a growing phenomenon nationally, and Willows Way is proud to be bringing this opportunity to St. Charles County. Additionally, in support of this new venture, Willows Way has obtained an organizational strategic development grant from the Missouri Foundation for Health to enhance our resources for this project.

I am glad to report that our innovative PROJECT HEART consumer education and staff development project funded by the Missouri Foundation for Health has had its most successful year to date. Under the direction of Project Coordinator Toni Cole, this innovative project has exceeded our original grant goals. To date 1120 hours of health education training has been provided to 730 adult participants who are developmentally disabled, and more than 1350 hours of corresponding health support training has been provided to direct support staff. Topics included in the project curriculum include such things as Basic First Aid, Managing Your Medications, Problem Solving, Stress Management, Establishing Boundaries in Relationships and everyone’s favorite....Healthy Cooking! With six months remaining in the original grant period we are now researching alternative funding resources to continue this popular health education program.

CAPITAL EXPANSION PROJECT:

Willows Way Moves Into New Operational Center

In February 2006 we were able to move into the new Willows Way operational center located at 800 Friedens Road in St. Charles, Mo. We now occupy the first level of building, consisting of 12,000 square feet. This move has allowed us to increase threefold the amount of space provided to our AT YOUR SERVICE support participants, create a staff training room of 450sf, and a family/customer meeting room to provide privacy for service planning interviews and meetings. Additionally we have gained additional space to accommodate the growing number of Supervisors and Community Resource Coordinators resulting from the continuing growth of our REALITIES services.

Willows Way is grateful to the Developmental Disabilities Resource Board of St. Charles County which provided an Equity Investment Grant of \$250,000 toward the construction expense for this new building. The St. Charles County Equity Investment Grant program is a unique and innovative grant opportunity offered by the DDRB in recognition of the expansive growth taking place in St. Charles County and the consequent need to support growth of the disability services 'infrastructure to meet the needs of our rapidly increasing population.

Designed by the architectural firm Aedis Inc. and constructed by Lauer Construction, the new building incorporates elements of American Prairie Style Architecture, providing an impressive presentation for our visitors and customers.

As in our past building, Willows Way Inc. has incorporated additional space on the second level of this building to be utilized as commercial lease space, with the resulting revenue utilized to offset the long term debt payments on the building. At the close of this calendar year we currently have 50% of the available space under lease.

FISCAL YEAR END REPORT:

Information from our FY2006 annual audit is provided below. Of note in this year's fiscal activities is our transition back from 'renter' status, during the construction period of our new building, to building owner, with the associated year over year increase in total liabilities and net assets from \$2,401,689 in FY2005 to \$4,779,769 in FY2006. Permanent long term financing arrangements for the new building will include both conventional financing and an Industrial Revenue Bond issued by the St. Charles County Industrial Development Board for a total of \$2 million dollars.

Willows Way gratefully acknowledges the funding support of the Missouri Department of Mental Health and Department of Health & Senior Services, The Developmental Disability Resource Board of St. Charles County, The Productive Living Board of St. Louis County, and the Missouri Foundation for Health, as well as our generous donors, sponsors and in-kind supporters.

WILLOWS WAY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

Current Assets:

Cash and cash equivalents	\$	448,777.44	
Accounts/grants receivable (less \$3,000 allowance for doubtful accounts)		576,580.35	
Miscellaneous receivables		15,094.39	
Pledges receivable		267,154.00	
Prepaid expenses		57,552.71	
Total Current Assets		<u>1,365,158.89</u>	

Property and Equipment:

Office furniture and equipment	\$	347,627.51	
Building-offices		1,405,091.89	
Building-rental		1,037,205.17	
Vehicles		112,534.89	
		<u>2,902,459.46</u>	
Less accumulated depreciation		(343,713.60)	
		<u>2,558,745.86</u>	
Land		756,544.05	
Total Property and Equipment		<u>3,315,289.91</u>	

Other Assets:

Custodial cash accounts	84,620.72	
Restricted cash/investment-deferred compensation	14,700.21	
Total Other Assets	<u>99,320.93</u>	

Total Assets	<u><u>\$ 4,779,769.73</u></u>
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See notes to financial statements.

WILLOWS WAY, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2006

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 75,320.42
Accrued wages	119,461.79
Accrued expenses-other	11,525.02
Miscellaneous payables	14,712.46
Payroll taxes payable	9,504.17
Sales tax payable	29.54
Deferred revenue	37,579.29
Accrued personal leave time	123,133.39
Notes payable	2,241,581.93
Total Current Liabilities	2,632,848.01

Long Term Debt:

Miscellaneous payables	\$ 31,299.34
Notes payable	29,841.54
Total Long Term Debt	61,140.88

Other Liabilities:

Custodial cash accounts	84,620.72
Deferred compensation	14,700.21
Total Other Liabilities	99,320.93

Total Liabilities **2,793,309.82**

Net Assets:

Unrestricted	1,986,459.91
Temporarily restricted	-
Total Net Assets	1,986,459.91

Total Liabilities and Net Assets **\$ 4,779,769.73**

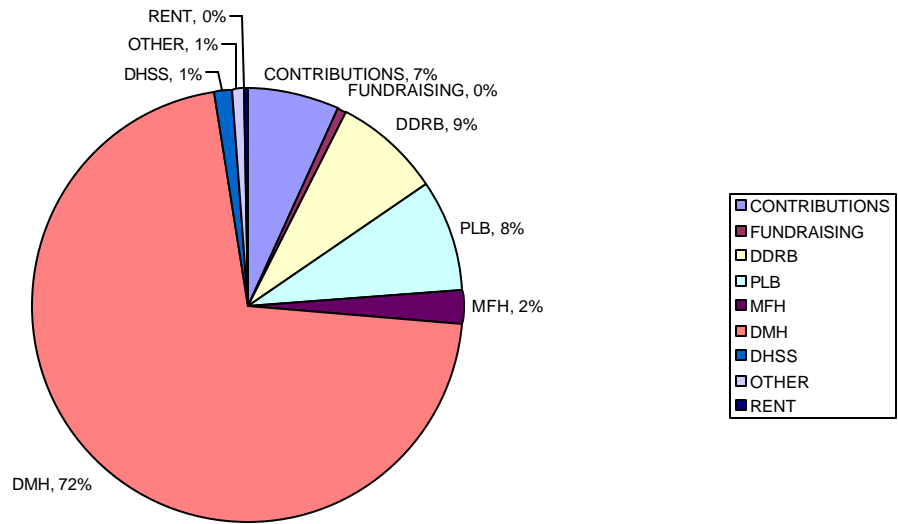
See notes to financial statements.

WILLOWS WAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

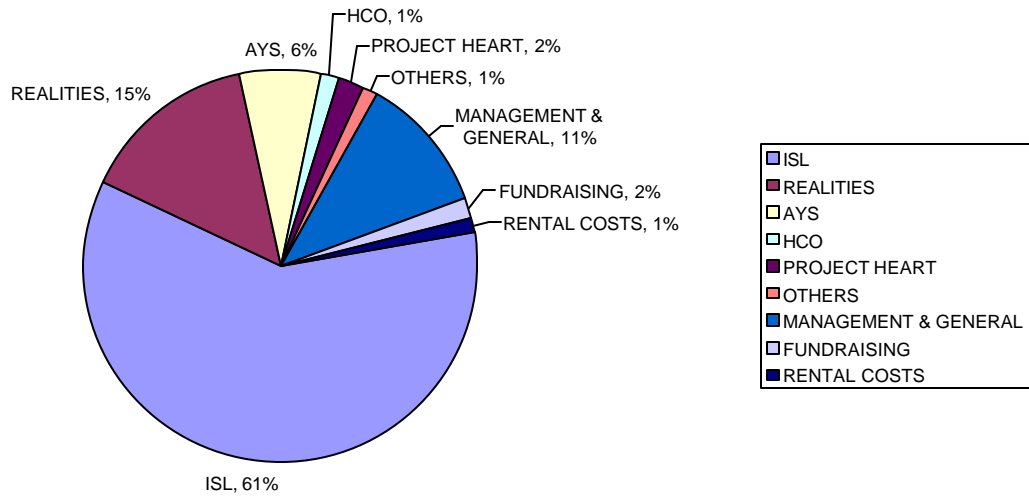
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions-regular	\$ 25,461.07	\$ 10,565.23	\$ 36,026.30
Contributions-capital campaign	-	341,606.78	341,606.78
Fundraising	20,302.00		20,302.00
Grants/fees	861,795.68	169,645.18	1,031,440.86
Government fees	3,923,235.31		3,923,235.31
Other fees	21,999.96		21,999.96
Interest/investment income	7,210.65		7,210.65
Miscellaneous	1,498.85		1,498.85
Building rentals	15,341.68		15,341.68
Net assets released from restrictions	647,617.19	(647,617.19)	-
Total Support and Revenue	5,524,462.39	(125,800.00)	5,398,662.39
Expenses:			
Program Services:			
Residential Habilitation	3,097,230.59		3,097,230.59
Independent Supported Living Arrangements (ISLA)	774,271.61		774,271.61
Employment - At Your Service	335,660.40		335,660.40
Home Care	74,653.55		74,653.55
Project Heart	114,523.27		114,523.27
Others	61,408.85		61,408.85
Supporting Services:			
Management and general	594,642.30		594,642.30
Fundraising	78,167.17		78,167.17
Rental costs	62,553.37		62,553.37
Total Expenses	5,193,111.11	-	5,193,111.11
Change in Net Assets	331,351.28	(125,800.00)	205,551.28
Net Assets, June 30, 2005	1,655,108.63	125,800.00	1,780,908.63
Net Assets, June 30, 2006	\$ 1,986,459.91	\$ -	\$ 1,986,459.91

See notes to financial statements.

INCOME FY 06



EXPENSES FY 06



ACCREDITATION STATUS:

Willows Way Inc. is a participant in the Council on Quality and Leadership in Services for People with Developmental Disabilities and our agency has been awarded the status of 'Accreditation with Distinction' for the period of 2005 through 2007 by this international accreditation organization.

For the second consecutive year since their inception, Willows Way maintained compliance with the "Wise Giving Alliance Standards for Charity Accountability" created by The Better Business Bureau of St. Louis.

Respectfully submitted,

*Steven Brennell
Executive Director
Willows Way Inc.*