

WILLOWSWAY

ANNUAL REPORT 2009

December 2009

OUR VISION

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

OUR MISSION

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

BOARD OF DIRECTORS

<u>Vince O'Connell</u>	President	<u>Dennis Delfert, PhD</u>	Vice President
<u>John Puricelli</u>	Treasurer	<u>Rich Weinstock</u>	Secretary
	Rhonda Brown	Director	
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	Nick Ippolito	Director	
	Kate Pilkington	Director	
	James Vavak	Director	
	Alberta Winston	Director	

FROM THE BOARD PRESIDENT

Greetings,

These have been difficult times this year for our country, our state and our counties. I am glad to report that while Willows Way faces many of the fiscal challenges inherent for small businesses in this recession, we continue steadfastly fulfilling our mission. I can assure you that the quality of our customers lives remain the focus of our staff, our leadership team and our Board of Directors.

During this year some of our programs have expanded, while others have seen attrition in enrollment. Willows Way has always been committed to reviewing our performance as an organization, and since our beginning 18 years ago it has been that approach and commitment that has allowed Willows Way to grow from 9 customers in 1991 to serving over 250 individuals in 5 different services. In the area of services, our management and leadership staff have worked to develop new support service options to provide meaningful life opportunities for our customers. In the area of fund development we have initiated a new social enterprise effort, our women's fashion consignment stores, in pursuit of additional revenue to support our mission.

As we look forward this coming year and years, we need to carefully monitor the environment in which we work. As the various layers of government try to bring expenses in line with tax revenues, funding for our services and our customers will come under review for possible reduction. So far, all parties have realized the services provided to support our customers independent living has been the best value. We hope funding groups continue to understand this value and fund it appropriately.

Willows Way is doing well and will continue doing so. Most often this is because of the work done by our dedicated direct support staff, as well as the commitment of our managers and leadership team. On behalf of the Board of Directors I extend a heartfelt thank you to all of our staff for your dedication and professionalism.

In the coming year I hope that Willows Way will have your support as we pursue our mission in our community. To learn more about Willows Way or for any questions regarding this report, I encourage you to contact Steve Brennell, Executive Director of Willows Way.

Sincerely,

Vince O'Connell
President - Board of Directors

FROM THE EXECUTIVE DIRECTOR

To Our Willows Way Community,

With the end of 2009 it has now been eighteen years since Willows Way established itself as the first provider of individualized supported living services in the St. Charles/St. Louis metro area. In June 2009 another page in our history was written with the departure of the last member of the very first supported living household established by Willows Way in 1991. After eighteen active years living and working in St. Charles, this 'young' lady retired from the job she held throughout those years and moved to Columbia, Missouri to be closer to her remaining family.

From supporting those first three young adults as roommates in 1991 Willows Way has grown, now serving several hundred individuals with disabilities each year through our supported living and adult education services. But as the years pass, we find the challenges to pursuit of our mission growing also. For the first time in our history, in 2009 Willows Way found it necessary to end one of our service programs due to the changing funding environment. As we move forward in 2010, Willows Way remains committed to our mission of creating life opportunities that promote the dignity and independence of people with disabilities. Through the dedication of our staff and with the guidance of our Board of Directors, Willows Way will continue to grow, providing quality individualized support services to those in our community who have developmental disabilities.

Sincerely,

Steve Brennell
Executive Director

OUR SERVICES

For disability support organizations 2009 has held challenges comparable to those prevalent in the general economy. The conditions of economic recession were reflected in our service field in the constriction of funding for existing services, lack of funding for new service consumers, and absence of new consumer referrals. With these challenges facing us, Willows Way has maintained our focus on providing quality, person-centered services to our customers throughout this year. And while we have experienced for the first time a decline in our total service enrollments, we have still seen growth in several of our service programs. Most importantly though, our level of outcome achievement with our service consumers remains at the same high level that has characterized our performance through the years.

Our Individualized Supported Living service has grown during 2009 to now serve 58 adults living in their own homes and apartments throughout St. Charles and St. Louis counties. This is the largest enrollment we have seen in this service program over the years. Our ability to support additional consumers in this service is attributable to the success we have seen in our direct support staff retention efforts initiated in 2007. Having positioned Willows Way then as having the top direct support wage level among service providers in our region, we have succeeded in reducing our annual direct support employment turnover rate from 67% to 26% in 2009.

Our PROJECT HEART health enrichment and adult education service has seen continued success this year with 114 classes offered over the course of the year, and 140 individuals participating. Total attendance in the classes reached 777 this year, our highest attendance numbers to date. One of the interesting additions to this year's classes was a student driver permit class through which 3 of the 8 youths participating were able to successfully earn their student driver permit.

The scope of our REALITIES service program changed dramatically in 2009 consequent to our termination of the funding agreement previously held with the Productive Living Board of St. Louis County. In July and August Willows Way supported the 38 individuals receiving REALITIES services in St. Louis County through the process of selecting and transitioning their support services

to new provider agencies of their choice. Essentially this was a reduction by 50% in the service enrollment for the REALITIES program. However, in partnership with the Developmental Disabilities Resource Board of St. Charles County, Willows Way has continued to increase the enrollment of our REALITIES service in St. Charles County, to our current level of 42 participants.

The general constriction of service funding has also impacted our AT YOUR SERVICE employment support service during this year. Since moving into our new building in 2006 with an enrollment of 18 participants in this service, we have seen a decline in enrollments to 12 individuals. The lack of new funding over the past two years and constriction of existing funding, we have not been able to secure new referrals for the service at the same rate that we have had consumers transition out of the program. As we move forward in 2010 we will be transitioning our AYS service program to a broader support service focus featuring community based activities and individual learning opportunities.

Our Home Care Options service continued this year with stable enrollments. This service focuses on personal care and homemaker assistance to adults who have need of additional in-home supports due to aging and physical disability needs.

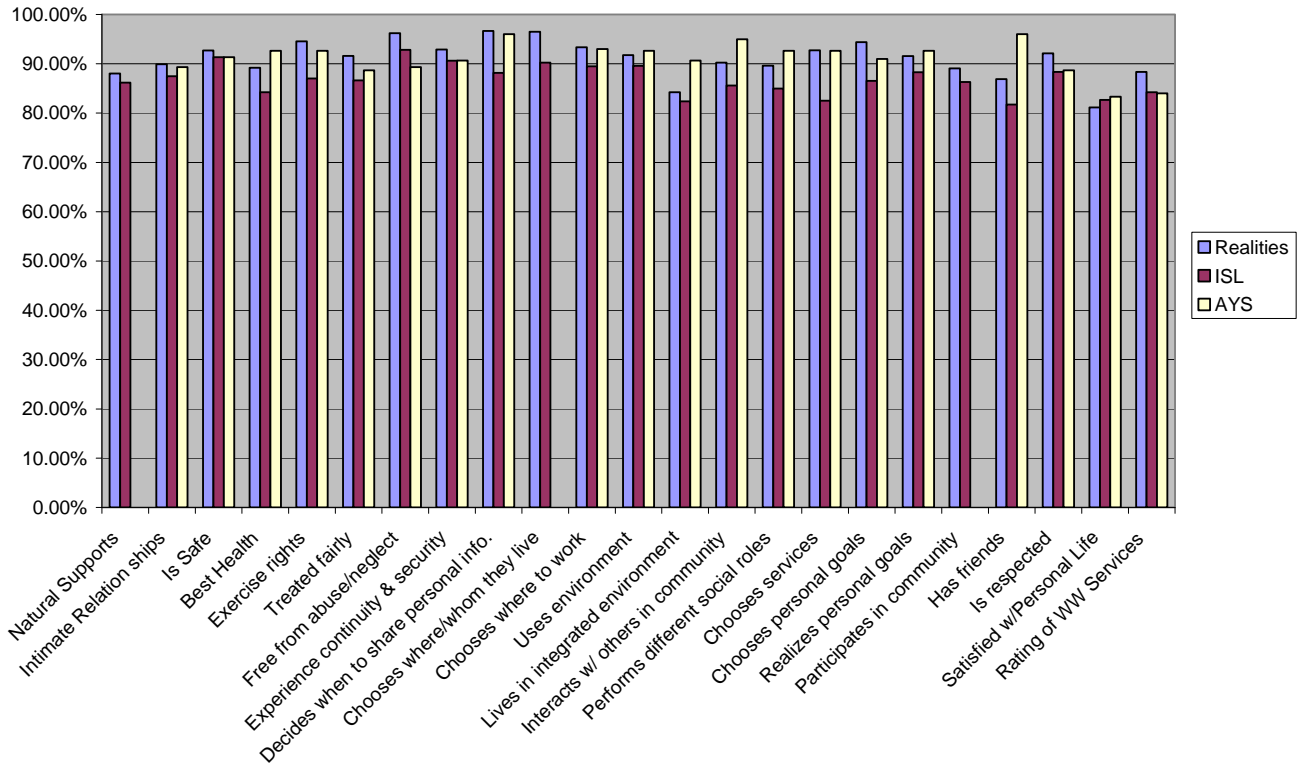
Service Outcomes:

Willows Way holds our customer's quality of life and self-esteem central in our person-centered value system. We measure the effectiveness of our support services through the use of personal outcome standards and consumer surveying techniques developed by The Council on Quality and Leadership in Services for People with Disabilities. Personal outcome achievement data is gathered from our customers, their families, their support staff and their Department of Mental Health Casemanagers. This outcome attainment data is recorded and analyzed on a variety of dimensions on both an individual consumer basis and on an aggregate basis for all of Willows Way. Graphic representation of the annual outcome data for all consumers across our service programs is provided on the following page. For further insight into the personal outcome standards surveyed in our quality and outcome assurance efforts, the reader is referred to the following website:

www.thecouncil.org

**Quality of Services Surveys from Customers, Family/Friends, Partnering Providers, Staff
(April 2009)**

Realities: N = 246, ISL: N = 161, AYS: N = 14



FUND DEVELOPMENT

In light of the challenges experienced in the current economic recession and the constriction of public funding for consumers seeking our services, Willows Way has begun making substantial shifts in our strategic approach to sustaining our business and mission during these challenging times. Looking beyond our fee for service revenue structure, we are moving forward with additional revenue strategies.

The first of these, acquisition of two women’s clothing consignment shops, provides Willows Way the opportunity to both earn additional revenue as well

as broaden awareness of our mission and services. Willows Way now operates My Friend's Wardrobe and the Upscale Resale Boutique, both located in St. Louis County. We are currently focusing on rebranding of the Upscale Resale Boutique as a high-end fashion clothing and accessories consignment store, while My Friend's Wardrobe features a broad range of woman's professional and casual clothing. In addition to the consignment sales activity, we will also use the stores and their customer/consigner base as a platform to promote our mission and conduct additional development and fundraising activities.

In turn, the second action Willows Way has taken in 2009 is the reinstatement of a full time Director of Development position for the organization, with the intention of increasing the level of community based fundraising that we conduct. Carla Wilson is now serving as our Director of Development. Carla has previously served on the Willows Way Board of Directors and she brings a wealth of marketing and sales experience to this office. New activities and strategies for our development/fundraising efforts are currently being charted by Carla and our Board Development Committee, with the anticipation of a significant increase in community fundraising over the next several years.

FINANCIAL

Willows Way Inc. gratefully acknowledges the funding support of the Missouri Department of Mental Health/Eastern District Regional Offices, the St. Charles County Developmental Disabilities Resource Board, the Missouri Department of Health and Senior Services, and the Missouri Foundation for Health, as well as the support we received from our donors and sponsors throughout the year. Through our fee for service contracts and program funding grants from these entities Willows Way has been able to fulfill our mission and grow throughout the years based upon our ability to successfully meet the support service needs of people in our community who have developmental disabilities. While the challenges presented in the current economic recession strain the resources of these funders, and provider organizations such as Willows Way Inc., we recognize that the partnerships we have formed and maintained over the years have been invaluable in strengthening our community and improving life opportunities for the people we serve.

Operating results for FY2009 yielded a loss in net assets of (\$120,757). In the context of the constriction in the general funding environment, our operating budget for FY2009 had projected an anticipated deficit of (\$34,495). However, two unexpected challenges moved operating results deeper into deficit during the year. In our REALITIES program in St. Louis County, unanticipated changes in our provider funding agreement were introduced after the start of the fiscal year, resulting in a reduction of billable units that produced a deficit of (\$75,959) in that service program. Additionally, in our At Your Service program, we experienced a higher level of consumer attrition and consumer absences than anticipated. While we had budgeted for a deficit of (\$21,131) in that program, our actual loss by the end of the year in A.Y.S. was (\$49,157). Minus the impact of those two events, our fiscal outcome for the year would have been within our budgeted projections.

Fiscal year financial information drawn from the Willows Way Inc. 2009 Annual Audit conducted by Smith Patrick Certified Public Accountants is presented on the following pages.

WILLOWS WAY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 426,740.17
Accounts/grants receivable (less \$55,000 allowance for doubtful accounts)	539,220.48
Investments	908.88
Miscellaneous receivables	13,856.24
Prepaid expenses	<u>56,466.00</u>
Total Current Assets	1,037,191.77

Property and Equipment:

Office furniture and equipment	\$ 361,907.97
Stores furniture and equipment	7,394.00
Building-offices	1,410,220.89
Building-rental	1,168,432.17
Vehicles	<u>149,392.89</u>
	3,097,347.92
Less accumulated depreciation	<u>(725,071.80)</u>
	2,372,276.12
Land	<u>756,544.05</u>
Total Property and Equipment	3,128,820.17

Other Assets:

Deferred charge-loan/bond issuance costs	20,462.97
Custodial cash accounts	28,229.32
Rent deposit	1,600.00
Goodwill-stores	72,868.00
Restricted cash/investment-deferred compensation	<u>18,956.98</u>
Total Other Assets	142,117.27

Total Assets **\$ 4,308,129.21**

See notes to financial statements.

WILLOWS WAY, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2009

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	128,514.64
Accrued wages		196,953.28
Accrued expenses-other		36,740.59
Miscellaneous payables		27,249.68
Sales tax payable		11,098.33
Payroll taxes payable		43,942.39
Accrued personal leave time		142,504.70
Notes/bonds payable		554,569.15
Total Current Liabilities		<u>1,141,572.76</u>

Long Term Debt:

Miscellaneous payables	\$	16,357.28
Notes payable		64,341.37
Bond payable		1,414,517.66
Total Long Term Debt		<u>1,495,216.31</u>

Other Liabilities:

Custodial cash accounts	28,229.32
Deferred compensation	18,956.98
Total Other Liabilities	<u>47,186.30</u>

Total Liabilities 2,683,975.37

Net Assets:

Unrestricted	1,624,153.84
Temporarily restricted	-
Total Net Assets	<u>1,624,153.84</u>

Total Liabilities and Net Assets \$ 4,308,129.21

See notes to financial statements.

WILLOWS WAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions-regular	\$ 39,396.23	\$ -	\$ 39,396.23
Fundraising	34,933.47		34,933.47
Grants/fees	885,144.19	127,185.31	1,012,329.50
Government fees	4,879,795.33		4,879,795.33
Consignment stores fees	291,745.57		291,745.57
Other fees	3,600.00		3,600.00
Interest/investment income (loss)	(3,466.03)		(3,466.03)
Miscellaneous	1,628.80		1,628.80
Building rentals	163,171.29		163,171.29
Net assets released from restrictions	127,185.31	(127,185.31)	-
Total Support and Revenue	6,423,134.16	-	6,423,134.16
Expenses:			
Program Services:			
Residential Habilitation	3,825,333.03		3,825,333.03
Independent Supported Living Arrangements (ISLA)	837,649.87		837,649.87
Employment - At Your Service	325,881.86		325,881.86
Home Care	85,845.36		85,845.36
Project Heart	84,871.38		84,871.38
Others	150,358.80		150,358.80
Supporting Services:			
Management and general	752,371.16		752,371.16
Fundraising	20,555.49		20,555.49
Consignment stores	310,864.71		310,864.71
Rental costs	150,160.42		150,160.42
Total Expenses	6,543,892.08	-	6,543,892.08
Change in Net Assets	(120,757.92)	-	(120,757.92)
Net Assets, June 30, 2008	1,744,911.76	-	1,744,911.76
Net Assets, June 30, 2009	\$ 1,624,153.84	\$ -	\$ 1,624,153.84

See notes to financial statements.

