

2017 Annual Report



THE VILLAGE COMMUNITY

OUR MISSION

...is to provide a place where people with disabilities are nurtured and valued; a place where they will be engaged in all aspects of their lives, learning and working alongside their friends, family, and members of the community.

www.TheVillageCommunity.org

How do we ensure that our children and others like them maintain a high-quality and engaging life?

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To Our Membership/Stakeholders

*The Executive Board of The Village Community (TVC) is pleased to report on our **third full year** of operation. 2017 was shaping up to be an excellent year for TVC, as our program had stabilized and great things were happening... Until we were dealt an unexpectedly devastating budget cut from the 2017 legislative session. The Board had conservatively estimated a 10% budget reduction, after having been told of a potential 2-3% cut. But the end result appeared to be a 50+% cut, effective almost immediately. This news tarnished a year-end that we would have been otherwise celebrating.*

*Positive news from 2017: ongoing, mutually-beneficial **community collaborations** including a fun, new partnership with the University of Iowa Best Buddies program; the ahead-of-schedule purchase of the TVC property; and the **impressively strong engagement of Village parents/families**. And at the end of 2017, we gained significant exposure to our local and state legislators and administrators. While the circumstances were not ideal, active networking has provided the Board with valuable insight, new connections, and some amount of political influence.*

*The Village Community Board wishes to convey **our most sincere appreciation** to our TVC families, our friends, donors, and other stakeholders. Your encouragement and support has helped to grow our vision and commitment into a sustainable reality.*

The following report shares some of the highlights from 2017 and looks ahead to the future of The Village Community.

2017 in Review:



HITS

- ✓ Exceeded our 2017 financial goals
- ✓ Transfer of property to TVC ownership
- ✓ Optimized program efficiency and use of resources, while maintaining quality



MISSES

- ✗ Devastating rate cut from IME at year end requires significant changes in program delivery if we are to sustain operations long-term

Operating Highlights

While 2015 was a year of planning, and 2016 was a year of execution and confirmation, 2017 was a year of **optimizing performance** through excellence and efficiency.

Some top accomplishments in 2017:

- ✓ Purchased the property at 5305 Herbert Hoover Hwy.
This goal was in our strategic plan for the 2018-2020 timeframe. But by the end of 2016, we had raised enough capital to put a down payment on this property and assume the mortgage. This allows TVC to save money on property tax payments, which – due to our non-profit status – will end once the prior year's assessed taxes are paid.
- ✓ Continued collaborations with UI resources.
In addition to our many partnerships with the University of Iowa, in the fall of 2017, we began a new collaboration with the Best Buddies program. This has been a mutually-beneficial partnership in which our members enjoy building relationships with their "peer buddies," and the UI students are gaining valuable experience as well.
- ✓ Actively monitored finances and adjusted programming accordingly.
Our first half of 2017 was very healthy and we consistently met our financial targets. In the 3rd quarter, however, we started to see a slip as income was decreasing (vacations/absences) and expenses were increasing (more costly outings, meals, etc.). This is not unexpected for summertime, but when the board saw the trend continuing into September and October, we saw the need to make a few changes:
 1. Day program expenses were monitored more closely, with staff given reminders on small daily expenditures that add up over time.
 2. An 'all-parent' meeting was held in mid-October to brainstorm ideas for increased efficiencies via consistent attendance, transportation expectations, and communication guidelines.*These were simple adjustments that quickly had the desired effect, and our budget was right back on track by November 2017. Until...*

One major and unforeseen challenge at year-end:

- ✗ Sudden/dramatic budget cut due to implementation of new Medicaid "Tiered Rates" for Dayhab.
In November 2017, TVC received a letter from IME that new Dayhab reimbursement rates had been published and would be implemented on December 2nd, which was just 17 business days away. At first glance, the new rates would result in a ~50% income reduction. The Board quickly consulted with other area agencies, met with several legislators, attended meetings in Des Moines, and tried to mitigate the impact. More on this topic in the following sections.

2018 Targets:



OPPORTUNITIES

- ⦿ *Diversify income sources to mitigate dayhab rate cuts*
- ⦿ *Increase donations through more active appeals*
- ⦿ *Explore residential service requirements*
- ⦿ *Continue building mutually-beneficial partnerships*



THREATS

- *Medicaid funding cuts (VERY low tiered rates; exceeding planned cuts)*
- *Medicaid privatization (more members are transitioning to MCOs, which negates our ability to negotiate with DHS)*

Financial Highlights

2017 started strong, beating projections in the first half of the year. TVC was able to purchase the HHH property in January through a combination of cash on hand and a large donation equaling the equity accumulated since 2014.

A challenge came in Q3 2017, as member attendance lagged over summer break (as planned), but then continued into the fall. After meeting with families in Q3, this quickly turned around and the budget was back on track, until...

We were surprised with a significant Medicaid budget cut announced in November and immediately effective 12/2/17. The Board was able to negotiate a rate extension for about half of our members, and we finished the year in the black. For fiscal year 2017:

- **Income from services ↑3%**
- **Income from donations ↑ 83% (or 175%, including equity donation)**
- **Net income (not incl. depreciation) ↓ 6%**
- **Equity ↑ 26%**

TVC Business Model

Fiscal Priorities

Our fiscal priorities remain the same: operate a sustainable, high-quality program by allocating a majority of our budget to items that directly contribute to engaging member experiences. Such as:

- Paying higher direct care staff wages than other local providers,
- Maintaining safe, attractive, functional and inviting areas for members,
- Participating in varied and engaging outings,
- Providing high-quality recreational therapies and activities on site.
- Essentially... **Prioritizing and investing in member success** rather than in overhead and administration.
- This model requires founding family investment, staff commitment, engagement of key families and community partners, and significant volunteer hours. But we continue to agree – it is well worth it!

Looking Ahead

The Executive Board's priorities for 2018-19 are to:

- ✓ Offset the large Medicaid budget cuts by increasing donations, reducing expenses, and maximizing billable services.
- ✓ Diversify income sources, including possible expansion to residential.
- ✓ Continue to work with legislators to ensure organization sustainability.

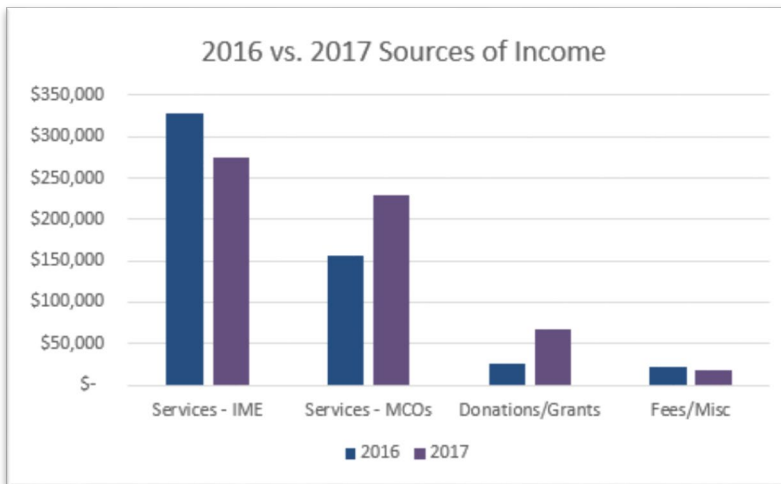
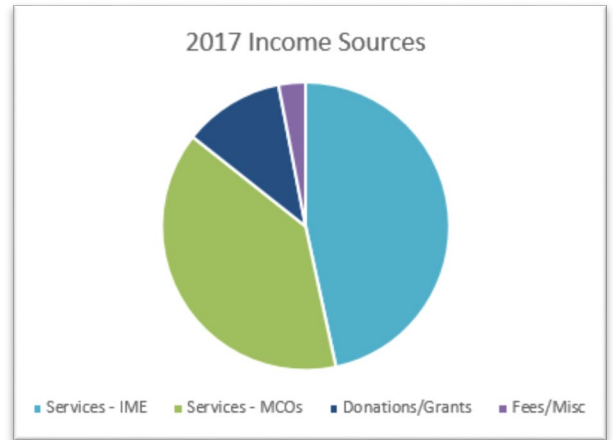
2017 Financials

Takeaways: increased equity through property ownership; significantly increased donations from families' year-end giving and equity donation; increased expenses through direct care staff salaries unrecovered through lower-than-planned Q3 attendance.

2017 Income Sources

This graph (right) displays 2017 income sources as a percentage of total funding.

The graph shows TVC's reliance on the MCOs for timely and accurate reimbursement. While member enrollments with MCOs increase, MCO reimbursement rates are decreasing. Ideally, we will retain as many members as possible on the HIPPP program (funded by IME) going forward. The Board remains hopeful that there will be some legislative change in 2019 allowing for cost-based reimbursement, or – at the very least – a regional cost-of-living adjusted rate.



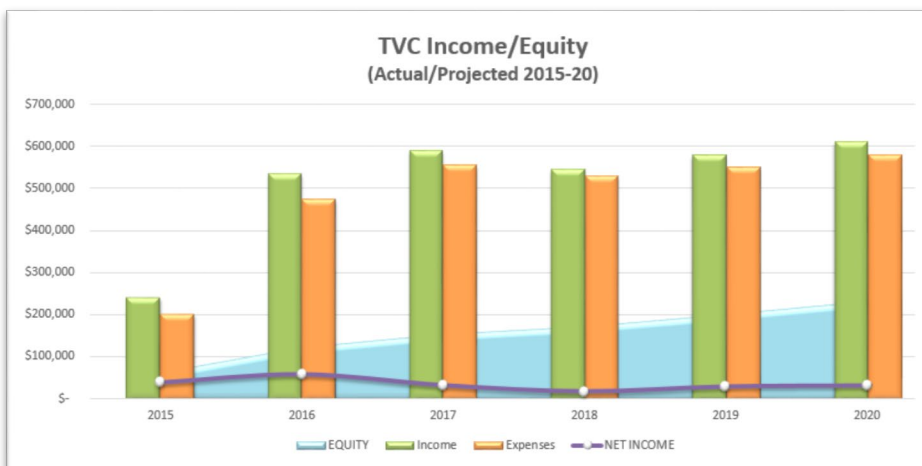
2017 Income Growth

The graph on the left illustrates the change in income sources between 2016 and 2017. Gross income is only slightly higher, but the increase in donations and the shift from IME to MCO funding is apparent.

2017 Equity

TVC's equity is projected to grow at a slower rate than previously planned, due to reduced net income as a result of recent and immediate Medicaid cuts.

Below are our actual and projected values for income, expense, and accumulated equity for 2015-2020.



While net income is projected to remain positive through 2020, net income projections are now roughly 1/3 of the previous financial plans.

The Board still plans to utilize future equity to secure residential property when the organization is ready to expand. We will also continue to actively pursue donations and look for other revenue sources to mitigate financial risks.

2017 Expenses

TVC's spending remains in line with our mission to provide our members with high quality and engaging activities, settings, and staff. The vast majority of our budget is allocated to areas that directly impact member experiences. 2017 Expenses (which were very similar to 2016 expenses) are shown and described below:



76% = Staff wages: Paying wages significantly higher than other local providers allows TVC to attract and retain excellent direct care staff. In addition, in 2016 TVC began offering an exceptional benefits package to all full-time employees.

10% = Property expenditures: This category includes rent and equity payments, maintenance (gravel, landscaping/gardening, etc.) and improvements. These expenses provide a safe, spacious, and welcoming environment for our members.

7% = Member Activities: This expense covers a variety of outings and onsite therapies, as well as high-quality meals/groceries, supplies, projects, and engaging activities and outings geared toward our members' individualized learning and enjoyment.*

5% = Facility/van usage costs: These are the costs of occupying the property (such as utilities) and owning/using our van (insurance, depreciation, etc.) to transport members to all of those fun outings.

2% = Costs of doing business: As mentioned, we try to keep overhead costs to a minimum. Necessary expenses include accounting services, insurance, required subscriptions, and dues. These expenses don't directly improve the member experience, but they are critical to sustaining our business.

**Member activities are partially offset by the \$100 monthly activity fee, which covers approximately one-third to one-half of those expenses.*

2016 Satisfaction Surveys

Summary of Results:

Member Engagement

4.9
5

Program Activities/Space

4.9
5

Communication

4.8
5

Program Comparability

4.8
5

Member/Family Satisfaction

TVC conducted member and family surveys at the end of 2016. Those results are reported here again in the sidebar as a placeholder.

In 2017, in lieu of our annual fall family survey, we instead conducted two separate all-family meetings (in October and November) around some recent program challenges, including the Medicaid cuts.

Feedback from families was overwhelmingly positive and support was extremely strong, with several families stepping up to donate thousands of dollars to help defray costs and maintain the success of our program. Some families donated gas and grocery cards, some donated cash to be used toward programming expenses, others donated art/cleaning supplies, and a few even sponsored specific recreational activities that were due to be cut (for example, music therapy or Zumba).

Our model relies heavily on a cohesive, invested membership and solid family support. 2017 showed us how deep that support runs at The Village Community. We are so grateful for the generosity of our TVC families.

During this time, we also had several family members engaging with legislators to voice their concerns about these devastating cuts. Parents wrote letters, made phone calls, and even met with representatives to express their support of TVC and their concerns regarding damaging effects of sudden and dramatic funding reductions.

We also asked parents for input regarding potential diversification of funding streams: increasing one-to-one goal work for those eligible for hourly SCL, possible school programming, and interest in adding residential services. Family input will help guide our board decisions in 2018 as funding levels remain uncertain.

"My son is kept stimulated and engaged... When I bring him in the morning my heart is full because I know that he is going to have a fabulous day with people who are invested in him. The model for this Day Hab should be replicated."

"Personalized care, calm environment, interesting facility are a winning package."

"My daughter's stamina for activity and engagement have increased greatly since being at TVC full time. It is wonderful to see."

"I am so impressed with the variety of activities and the guests they bring to engage with the members."

"The staff are well qualified, consistent and responsive to member needs. I appreciate TVC's commitment to staff. I believe this has contributed to staff satisfaction and ultimately low turnover."

"People who don't see (our son) often are commenting on his immense growth this year. His vocabulary, demeanor, and social skills have greatly improved! We credit his Village staff as role models, and acknowledge their purposeful encouragement and facilitation of social interactions between members."

Conclusion

While 2017 ended on a bit of a challenging note, it was a fantastic year overall. We had several “wins” as we continued to build upon our successes. And our trust in this model was reaffirmed when our friends and families stepped up to support The Village Community when the going got tough. The Board’s confidence in our organization and in our future has been strengthened as a result.

Our mission has not changed, and our top priority remains the provision of high-quality, engaging member experiences delivered by exceptional and consistent direct care staff members. Our budget will continue to reflect our priorities, as we continue to push for policy changes that will once again recognize the value of effective, low-overhead programs like ours. Or – at a minimum – for those which acknowledge that the cost of doing business varies significantly across our state.

In the meantime, we will explore the diversification of our funding streams and remain grateful for the generosity of our supporters. We look forward to seeing what 2018 will bring!

Contact Information

The Village Community’s Executive Board is available to answer your questions or hear suggestions for our organization. We are most easily reached at TheVillageCommunity@post.com



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For More Information

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