

ANNUAL REPORT

FISCAL YEAR 2016

Presented by Steve Hodapp, CEO



Managed Care Rolled Out in Iowa

In 2015 Iowa Governor Terry Branstad announced he was seeking Managed Care Organizations (MCO's) to administer the four billion dollars of Medicaid money annually coming to the state. Eventually this would be branded as Health Link and there would be three MCO's approved. Two roll-out dates were missed in the first quarter of 2016 but ultimately April 1st was when Health Link was rolled out. Service providers including Vodec were included with medical providers to be working with the MCO's.

The transition to working with MCO's so far has not been the debacle many first envisioned. There are struggles though as each MCO has dealt with staffing up hundreds of positions, and with confusion about service rates to pay providers. At this time Vodec continues to receive affirmation of rates with each MCO. There have also been struggles on our end as we have needed to learn how to do data entry per MCO's guidelines so we get paid. Most of the non-payment of claims by MCO's has been from a lack of service authorizations being provided to us, billing errors based on our learning curve of new billing processes with each MCO, and confusion when a consumer switches from one MCO to another without us knowing about it. But I anticipate we'll all be on same page for FY18.



Two Vodec Day Program Locations Consolidated

Seven years ago we opened a location in Millard for sheltered work and offices for residential employees.

Over the years we successfully served many consumers there, but a recent wave of change gained momentum. Facility-based day programming is expected to be replaced with full community integration. By 2019 the Centers for Medicaid and Medicare Services (CMS) plan to cease funding of sheltered work.

Realizing this impending refocus by CMS will impact our business model we decided not to continue the Millard location. All operations were consolidated into our F Street site in March 2016. Next actions include an increased emphasis on getting more consumers into jobs through our Community Employment service and on increasing community activities for consumers in our day habilitation programs of Elm (in Nebraska) and Cares (in Nebraska and Iowa).



WIOA Changes Things and Vodec Reacts

WIOA (the Workforce Innovation Opportunity Act) was signed into law by President Barack Obama in June 2015 and became effective with final rules in July 2017. Impacted players on the service side include high schools, Vocational Rehabilitation Services (VRS), and developmental disability services providers including Vodec. Some persons impacted by WIOA are high school students and other adults who have artificial barriers to employment. Many of those persons will have developmental disabilities.

There are specific new challenges for those young adults who want to access Vodec's employment training services. As of July 22, 2016, WIOA requires that Vodec collects

three documents from every Employment Training Services Applicant who is 24 years old or younger:

1. A letter from the State Vocational Rehabilitation (VR) office authorizing Transition Services under the Individual with Disabilities Act (IDEA) and/or pre-employment Transition Services under the Workforce Innovation and Opportunity Act (WIOA)

2. Documentation from VR verifying the applicant applied for their Services and was either found ineligible OR eligible with a closed case. This second option would apply to a person who had an Individual Plan for Employment which then failed to result in employment.

3. Verification from VR that the applicant received career counseling

Applicants who are 25 years old or older will be required to receive annual career counseling and have it documented in their Individual Career Plan (ICP) in order to continue sheltered work. Vodec

Consumers not meeting these requirements will no longer be eligible for sheltered work involving a sub-minimum wage; other Vodec services will be made available to them.

Vodec leadership team members have been poring over the rules. They have attended seminars and participated in webinars about WIOA and its implications. They are now SME's (Subject Matter Experts) relied upon by services partners for their practical expertise.



Vodec Now in Central Iowa

Here's a brief chronology of our move into Central Iowa. We received a family's request in 2015 to consider bringing our high quality services to Central Iowa. After careful consideration of all the pros and cons of

(Annual Report continued page 2...)

(...annual report, cont.)

growing beyond the Council Bluffs/Omaha metro area we decided to move forward. In February 2016 we started hiring and in March we started providing group home and SCL (Supervised Community Living) services and began contracting for Host Home settings. By autumn we started providing Community Employment service. On November 1 we leased a building in Adel, IA which provides office space. By the first quarter of 2017 we plan to offer sheltered work and pre-vocational services in Adel. We are serving consumers in the Heart of Iowa Mental Health Disabilities Services region and Polk County. The Heart of Iowa region is Audubon, Dallas, Greene and Guthrie counties.



David Day & Associates' Re-Branding Brandkind Project

What started in 2015 with our selection from over 130 Council Bluffs/Omaha metro area non-profit organizations has morphed into a collaborative relationship with brand specialist firm David Day & Associates (dda) for its Brandkind project. Brandkind is the brainchild of David Day. It represents David's 'gift' to a selected non-profit which is interested in re-branding but needs help. We feel very fortunate to have been selected for dda's second Brandkind project.

We are very happy about the re-branding process and how the dda professionals helped us figure out what we wanted, how we wanted to say it, how we thought it should look, and even how it should make us feel. Results have been a revitalized color matte used on a refreshed logo, updated marketing materials and building identification, and a Brand Core statement explaining who we are and what can be expected of us. A totally redesigned website created for ease of use is expected to be rolled out in the first quarter of 2017.

All of us who worked with dda's team are appreciative of the opportunity and marveling still at all what we learned. Thank you, dda!



Vodec's Services Recognized for Continued Excellence

In FY16 we were affirmed again. Vodec provides the highest quality services. We knew that but it is good to hear from third parties which review many organizations, and in CARF's case all over the world, that we rank among the best.

In April we were notified by CARF we were issued a maximum three-year accreditation (through May 2019) on these services provided in Iowa and Nebraska:

- ✈ Assisted Residential
- ✈ Adult Pre-Vocational Habilitation
- ✈ In-home Residential Habilitation
- ✈ Work Station Habilitation
- ✈ Group Home Day Habilitation

In July we learned our Iowa Home and Community Based Services (HCBS) were "compliant" with standards identified through a re-certification review. The review was done by Iowa Medicaid Enterprise (IME), HCBS Quality Oversight unit.

So how does Vodec continually earn these recognitions? Short answer is our employees who care about our consumers and the services' provision they participate in. As an organization we're very lucky to have them.



Project SEARCH Adds Second Location

We've been involved with the Project SEARCH site at the Nebraska Med Center in Omaha since late 2014. To bring real life work experience training to consumers we partner with Munroe Meyer Institute, Madonna School, Nebraska Department of Education through its Vocational Rehabilitation and Assistive Technology partnership programs, and the Nebraska Department of Health and Human Services' Division of Developmental Disabilities, Nebraska Medicine, and SODEXO.

Consumers involved come from Madonna School and Vodec.

In FY16 we accepted an opportunity to be involved with a second Project SEARCH site at the Hilton Embassy Suites location near Omaha's Old Market. The goal for each consumer at both Project SEARCH sites is competitive employment.



Consumers in Vodec Services

Once again we had year over year growth in census - the number of unique consumers who were in service - in FY16. The 685 total is a 2.39 percent increase over FY15 census. It is obvious in the following chart the Iowa census experienced growth while Nebraska's declined. And while expansion activity in central Iowa contributed to Iowa's growth, by the end of the fiscal year we were just ramping up there and only serving eleven consumers.

The decline in Nebraska's census is mostly traceable to two programs. The Elm program serves persons with multiple and severe disabilities. Many are medically fragile. Unfortunately several passed away in FY16. And mentioned earlier was the consolidation of sheltered work programs from two locations to one. Combined census of the two locations dropped coincidental to right before and following the consolidation in March. This is an unintended consequence of the preparation for the CMS plan to discontinue funding for sheltered work in 2019.

Census Comparison			
	FY '15	FY '16	+/-
IA	288	318	30
NE	381	367	-14
TOTALS	669	685	16

(...annual report, cont.)



Financial Report

The following summaries of the Statement of Financial Position and the Statement of Activities are pulled from the Audited Financial Statements for FY16 prepared by Schroer & Associates of Council Bluffs, Iowa. It shows the outcome of strong financial guidance from VODEC's Board of Directors and the sense of fiscal responsibility felt by our employees.

Monthly financial reports are reviewed by the Board of Director's Finance Committee and approved by the Board of Directors. Each report is also presented by the CFO who generates discussion at monthly open-book meetings with supervisory, management and director-level personnel.

The Audited Financial Statements are reviewed by the Board's Audit Committee and approved by the Board of Directors.

All this review is part of our fiscal accountability process and is compliant with our internal fiscal policies and procedures, and has been praised by licensing and accreditation surveyors.

FY16 Total Support and Revenue - Workshop Fees actually were down almost seven percent from FY15. There was a restructuring in Business Development to deal with a decline in new business which then created some uphill work for correction. Program and Contribution Revenue actually increased 1.59 percent. Overall the revenue stayed flat with a .95 percent increase over FY15.

FY16 Total Expenses increased 3.30 percent. A lot of the increase resulted from employee expense. Employees are eligible for annual merit increases. The number of employees also grew. We started FY16 with 255 employees and ended with 262

employees. Employee turnover also creates expense. This industry currently has an average employee turnover rate of around 35 percent, and our turnover is above average. We continue to research and engage strategies to hire the right people for the long term, and to retain the best of that group, all focused on reducing employee turnover.

There was also start-up cost associated with the growth into central Iowa. On-the-ground start-up cost began in February. There was little to no offsetting revenue before end of fiscal year so this also negatively impacted net income for the fiscal year. ▼

STATEMENT OF FINANCIAL POSITION (SUMMARY)				
JUNE 30, 2016 AND 2015				
ASSETS				
	FY16	FY15	FY16 Variances	
			\$ + or (-)	% + or (-)
Assets				
Total Current Assets	4,595,254	3,808,749	786,505	20.65%
Property & Equipment				
Total Property & Eqpt	5,228,161	4,718,847		
Less Accumulated Depreciation	(2,110,222)	(1,889,535)		
	3,117,939	2,829,312	288,627	10.20%
Other Assets				
Security Deposit	6,800	6,899		
TOTAL ASSETS	7,719,993	6,644,960	1,075,033	16.18%
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current Liabilities	1,264,657	1,099,255		
Long Term Liabilities	798,180	868,083		
Total Liabilities	2,062,837	1,967,338	95,499	4.85%
Net Assets				
Unrestricted	5,657,156	4,677,622		
Temporarily Restricted	-	-		
Total Net Assets	5,657,156	4,677,622	979,534	20.94%
TOTAL LIABILITIES AND NET ASSETS	7,719,993	6,644,960	1,075,033	16.18%



STATEMENT OF ACTIVITIES (SUMMARY)				
JUNE 30, 2016 AND 2015				
	FY16	FY15	FY16 Variances	
			\$ Incr (Decr)	% Incr (Decr)
Unrestricted Net Assets				
Program & Contribution Revenue	12,848,989	12,647,630	201,359	1.59%
Workshop Fees, net	858,363	920,130	(61,767)	-6.71%
Other	126,700	127,249	(549)	-0.43%
Net Assets Released				
from Restriction	-	8,517		
Total Support & Revenue	13,834,052	13,703,526	130,526	0.95%
Expense				
Program Services	11,390,775	11,133,810	256,965	2.31%
Supporting Services	1,463,743	1,309,917	153,826	11.74%
Total Expenses	12,854,518	12,443,727	410,791	3.30%
Change in Unrestricted				
Net Assets	979,534	1,259,799	(280,265)	-22.25%
Temporarily Restricted Net Assets,				
Grant Income	-	-		
Net Assets Released from				
Restriction	-	(8,517)		
Change in Net Assets	979,534	1,251,282	(271,748)	-21.72%
Net Assets, Beginning of Year	4,677,622	3,426,340	1,251,282	36.52%
Net Assets, End of Year	5,657,156	4,677,622	979,534	20.94%



612 South Main Street
Council Bluffs, Iowa 51503

Vodec is a private, non-profit 501(c)(3) Corporation.
Vodec is an equal opportunity employer.
Applicants for services or employment are considered without regard to race, color, religion, sex, age, national origin or disability.

Vodec Entrance Criteria

- ▶ 16-years of age for any vocational program
- ▶ Behavioral, medical, and transportation needs inside Vodec's scope of service and capability to provide
- ▶ Adequate funding in place for requested services (including private pay or other options)
- ▶ For in-home services, applicant's home must meet basic health and safety requirements



Vodec is Certified by:

- ✦ Nebraska Department of Health and Human Services
- ✦ Iowa Department of Human Services
- ✦ Iowa Medicaid Enterprise
- ✦ Nebraska Department of Education

Vodec is affiliated with the following organizations:

- ✦ Council Bluffs Chamber of Commerce
- ✦ Human Services Advisory Council
- ✦ Iowa Association of Community Providers
- ✦ Iowa Association of People Supporting Employment First (APSE)
- ✦ Nebraska Association of Service Providers (NASP)
- ✦ Nonprofit Association of the Midlands (NAM)
- ✦ Omaha Chamber of Commerce
- ✦ Sarpy County Chamber of Commerce



Workers install main exterior sign at Vodec headquarters. This exterior signage represents one of the final steps of re-branding the company's visual image, as part of the DDA Brandkind project.

Join Us On Social Media!



Help us "go green" and sign up for
The Voice online at www.vodec.org

