

Davidson Homes INC.

2011

ANNUAL REPORT

LOOKING at 2011

A Year of Challenge and Change

2011 marked the 13th year in business for Davidson Homes. A year of challenge and change. Medicaid rates continue to decrease, forcing budgetary pinches. State and LME's have imposed changes and increases in restrictions. Davidson Homes has been accommodating in its adjustments through careful planning.

The quarterly training has provided opportunities for informing staff of changes and how Davidson Homes was planning for adjustment and accommodation.

As a CARF three-year accredited organization, our agency continues to demonstrate a commitment to continually improving its services and care for the specially disabled population.

Davidson Homes Mission Statement:

We at Davidson Homes are committed to the highest quality of life for the people we support. Our goal is to assist individuals with developmental disabilities in the pursuit of independent living and reaching their personal goals while maintaining a person centered philosophy.



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FACTS ABOUT DAVIDSON HOMES

Number of people employed by DHI: 138
 Percent of Female Consumers: 48%
 Percent of Male Consumers: 52%

Age ranges of consumers served:

6-17: 11%

18-40: 50%

41-65: 35%

66-85: 4%

Number of DHI offices: 3



The LINCS Building

A Message from the Owners

Davidson Homes was founded in 1999 with the motto "Helping People Help People". Davidson Homes has strived to provide quality services to the individuals with disabilities whom we serve and show concern for the needs of our employees. As the company has grown over the years Davidson Homes has continued to maintain individualized relationships with those we serve and with our employees.

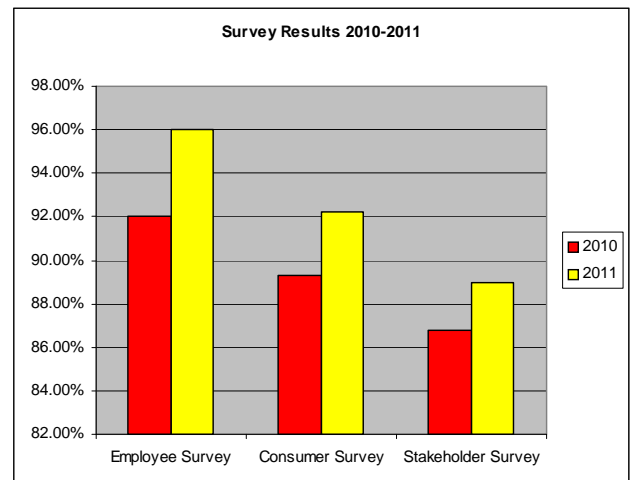
The past several years has been a challenge to Davidson Homes due to state and federal funding cuts and increased requirements in service delivery and documentation. Davidson Homes has been able to maintain operations without sacrificing the quality of care during this period.

I believe that the future success for Davidson Homes will be to exercise the ability to adapt to change and to provide an individualized quality service to those individuals we serve.

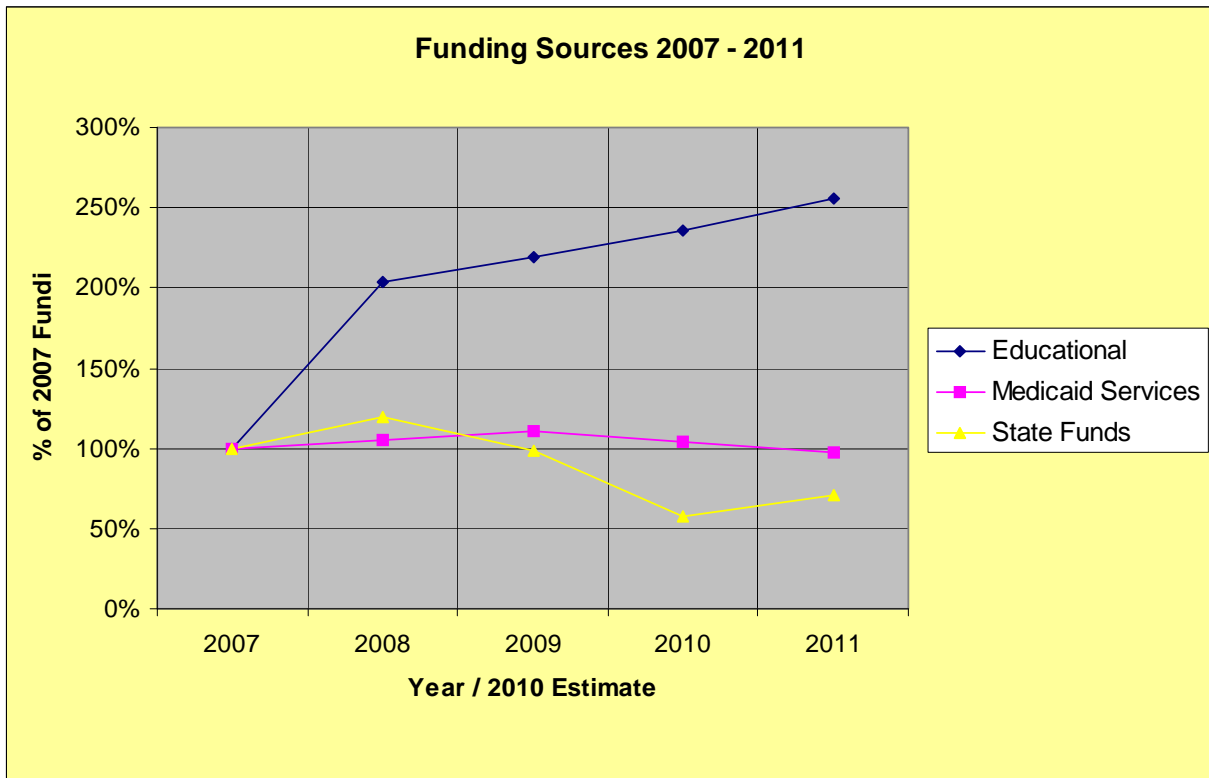
SURVEY RESULTS

| | 2010 | 2011 | |
|------------------------------|-------|-------------------|---|
| Employee Satisfaction Survey | 92.0% | 96.0% Increase | High: Good support, training, and treated with respect. Low: Too much paperwork |
| Consumer Survey | 89.3% | 92.2% Increase | High: Great matches-consumer and workers Low: Would like to choose more of my goals and activities Comments: Thank you for the wellness Program |
| Stakeholder Survey | 86.8% | 89.0% Increase | High: Conforms to regulations and requirements. Low: Need more immediate response to concerns. |

Note: % is based on total number of points available (100% is perfect)



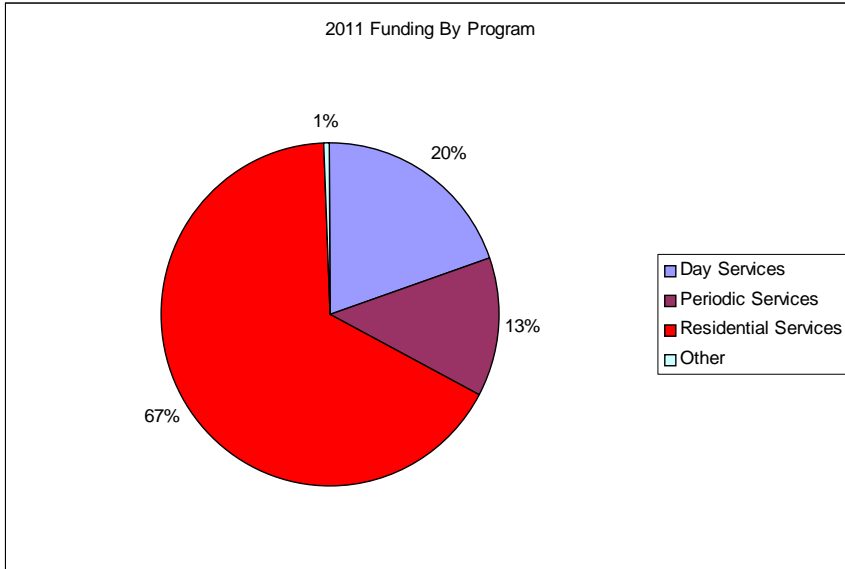
Funding Changes Since 2007 by Source



| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Educational | 100% | 204% | 219% | 236% | 256% |
| Medicaid Services | 100% | 105% | 111% | 104% | 98% |
| Other | 100% | 488% | 388% | 174% | 258% |
| State Funds | 100% | 120% | 98% | 58% | 71% |
| Total | 100% | 108% | 111% | 100% | 200% |

The table and chart illustrate the funding changes since 2007. All years after 2007 are compared to 2007 funding. Please note the chart and graph displays percents rather than actual revenue. The most significant issue has been the loss of State Funds for Residential Programs and gradual downtrend in Medicaid funding. The trend in State Funds began in 2009 and Medicaid Funds in 2010 and has continued through 2010. Although some Educational Funds have increased they do not offset the loss in State and Medicaid Funds and there have been some increases in State Funds in 2011.

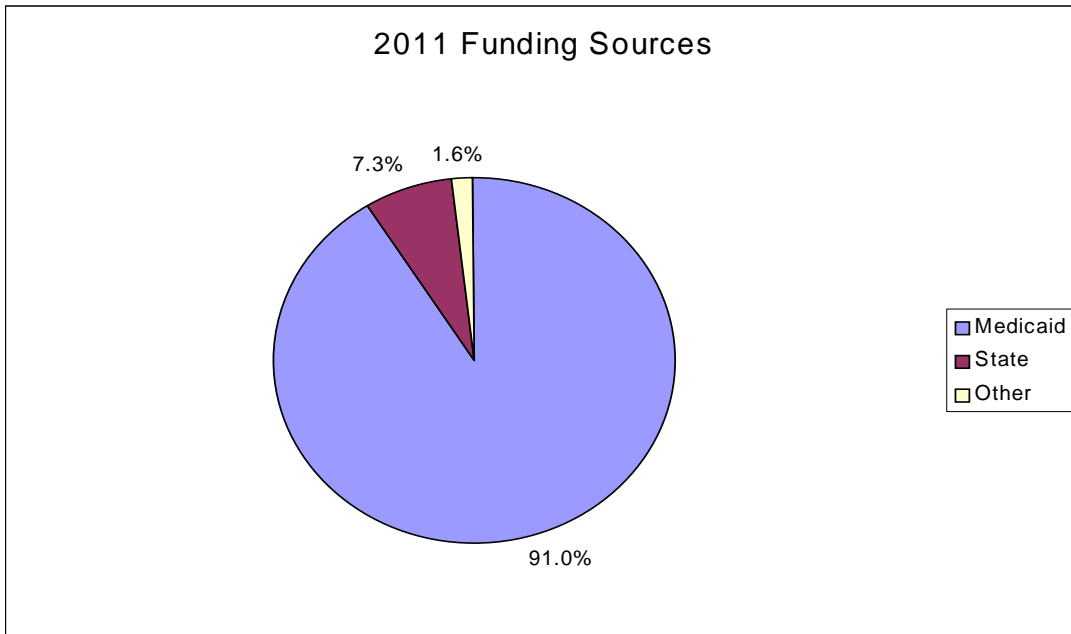
Funding by Program Type



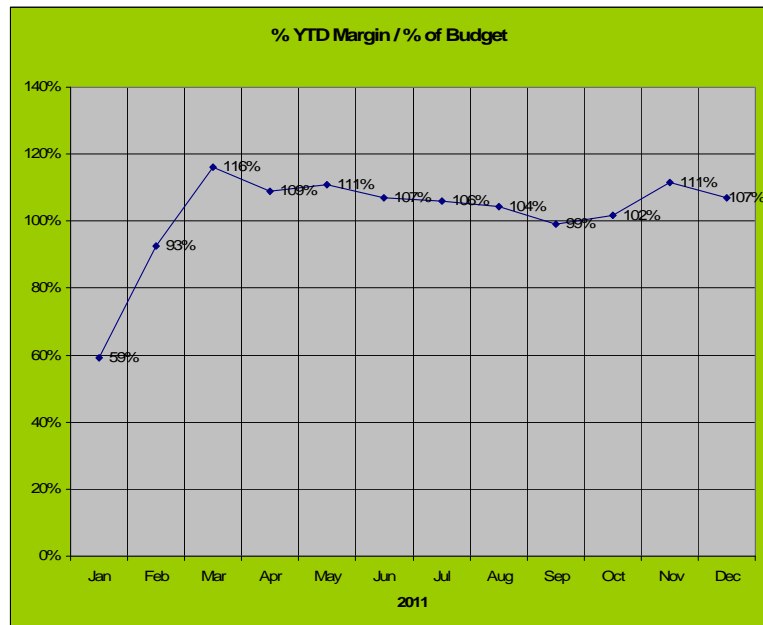
The chart displays Davidson Homes funding by Program. Residential Services account for 67% of funding, while Day Services account for 20%. The remaining funding of 14% comes from the Periodic Service Program and other funds, which among other functions supports the Residential Program. Growth is expected in both the Day Services and Periodic Service Program in 2012. A facility based respite program is now in place at the Day Services Programs and is expected to contribute significantly to the Periodic Services Program.

Funding Sources: Medicaid / State / Other

The Chart displays the source of service funding for 2011 for Davidson Homes, Inc. The primary funding source is from Medicaid for Community Alternative Program services at 91% of total. State services comprise the majority of the remaining funding at 7.3%. In 2011 Medicaid funds continued to remain the most significant percentage although they decreased from 93% to 91% while funding while state funding increased slightly.



2011 Financial Performance Chart



In 2011 the final budget was 107% of expected. The year started out under budget but by March it was above the expected budget. It remained slightly above budget for the remainder of the year.

Annual Disaster Drill

In September, Davidson Homes conducted an agency-wide emergency disaster drill. All areas, all staff, and where possible, our consumers participated.

The simulated disaster scenario was a condition where the Davidson Homes main office had been destroyed by a tornado. Each individual was responsible to provide their reaction as to how it affected them and possibly what might be suggested as a solution.

The Safety and Health Committee consolidated all responses and as a result has been able to provide a better understanding as to the required back-ups and emergency procedures that would be required in the event of a real disaster.

The exercise was productive in that it addressed specific problem areas such as communication, record's management, and internet services and to provide a pro-active planning approach to unexpected catastrophic emergencies.

Accessibility Report 2011

Periodically Davidson Homes has distributed surveys to our staff and consumers to allow the reporting of any possible barriers which might be a deterrent to receiving services or access to various areas. Nine different kinds of barriers can be reported. In addition to the surveys, a reporting form is available for reporting as well.

The surveys and reports are reviewed by the safety committee for possible resolution. Each action item is tracked and the results are reported on our Website. The following 13 action items were reported and resolved in 2011:

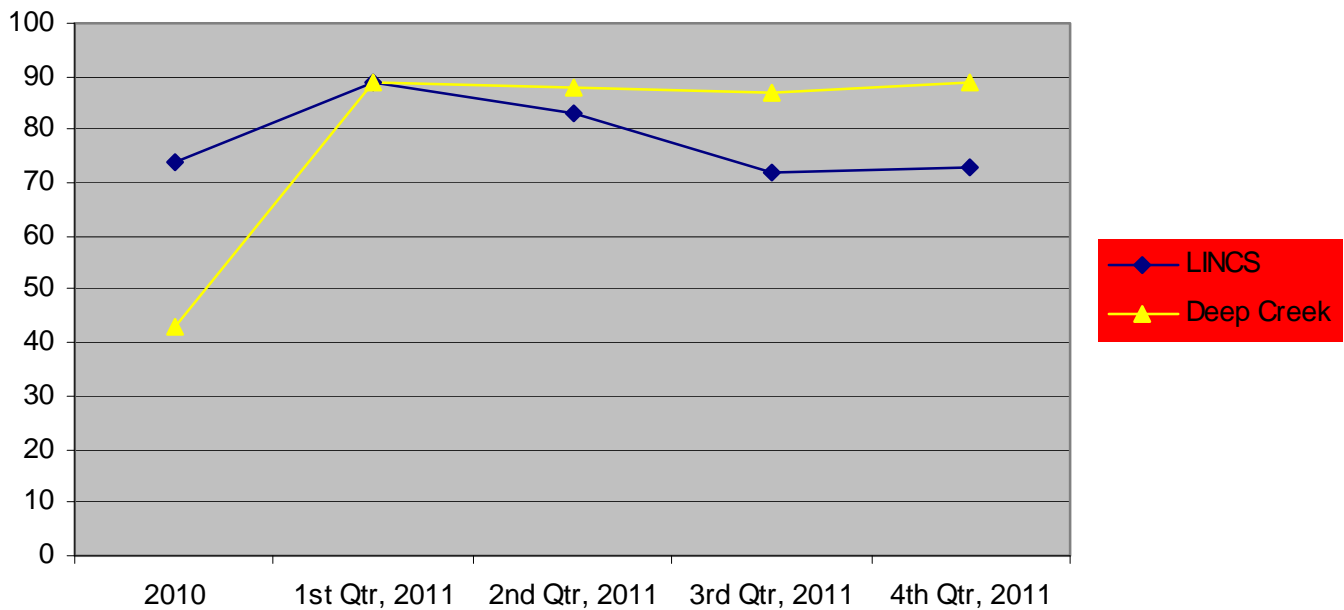
1. A partition was built at LINCS to enable better privacy for consumers.
2. A communication issue at LINCS was resolved.
3. A facility in Asheville did not have handicap accessibility. Reported and resolved.
4. A doorstopper came off while moving a wheelchair though the area at LINCS. Repair made.
5. A ramp at a community area in Black Mountain was reported not present. Investigation indicated that it was not a problem.
6. Wheelchairs getting stuck in potholes at LINCS. Potholes were filled.
7. Report that not enough handicap parking at a high school. Parking meets ADA. Cannot control.
8. Reported that a transportation company refused to transport when there is behaviors. Transport company can refuse when the safety of other is in question.
9. Consumer with hearing impairments enrolled at LINCS. Sign language training initiated..
10. Communication regarding transportation with clothing at LINCS. Issue resolved.
11. Transportation needed to the top of a mountain. Safe travel determined difficult during inclement weather. More information needed. The committee has not heard more since reported.
12. No shower chair provided in public shower. Chair was found. Problem resolved.
13. Need portable ramp for wheelchair respite. Davidson Homes purchased two portable ramps utilizing the accessibility budget. Issue was resolved.

Dave Piper, chairman. December, 2011



AFL Bowers and consumer fishing on Lake Murray. Activities for consumers. See page 7.

Percent of Activities Chosen by Day Program Consumers



2011 Safety and Health Drill Report

In 2011 there were 541 drills conducted across all environments for Davidson Homes. (Day Programs, Periodic Services, AFL's, Group Homes, and Offices.) The variety of drills included practicing for fires, bombs threats, disasters, medical emergencies, utility failures, and violent situations. Below are some of the facts recorded from the drill analysis:

1. More than 98% of all drills were recorded as satisfactory.
2. Violent situations were the most difficult drills to conduct with a 3.5% unsatisfactory rate.
3. Periodic providers had the most difficulty with their drills.
4. Day Programs, Group Homes and Offices each had 100% satisfactory drills for 2011.
5. In the first quarter 5.8% of all drills were unsatisfactory and in the last quarter this percent decreased to 1.1%. This demonstrates that drill practice will increase proficiency.

Looking Forward to 2012

During the coming fiscal year, Davidson Homes, Inc. will continue to improve the quality of its service delivery through the achievement of the following goals:

1. We will continue to utilize our new system of **Outcome Assessment** to record our activities and establish goals/benchmarks. The results will be published on our website and in the next annual report.
2. We achieved a three-year national accreditation with CARF in 2010 and will work toward the integration of national accreditation requirements with our Quality Assurance and Improvement plan.
3. Davidson Homes, Inc. will be starting the new year under the Western Highland's Innovations waiver, then on July, 1 of this year, Smoky Mountain Center will commence with their new waiver.
4. We will become much more pro-active and will continue to adapt to Medicaid and CAP changes and revisions.
5. **Positivity** is one of our basic strengths. In 2012, we will strive to make this a part of our programs, image, staff attitude, and above all, evidenced through and in the persons we serve.

2012 HOLIDAYS

DAVIDSON HOMES WILL BE CLOSED IN OBSERVANCE OF THE FOLLOWING HOLIDAYS:

January 02: New Years Day

February 20: President's Day

April 6: Good Friday

May 28: Memorial Day

July 04: Independence Day

September 3: Labor Day

November 22, 23: Thanksgiving

December 24, 25: Christmas

DHI CONTACT INFORMATION

SWANNANOVA OFFICE:

2084 US HWY 70
Swannanoa, NC 28778
Phone: (828) 299-1720
Fax: (828) 299-1773

LINCS

6 Byas Lane
Swannanoa, NC 28778
Phone: (828) 775-1616 or 776-6766
Fax: (828) 686-1291

DEEP CREEK DAY SUPPORTS

99D Robbinsville Rd
Andrews, NC 28901
Phone: (828) 321-4111
Fax: (828) 321-4112

OUR PROGRAMS

Deep Creek: Deep Creek Homes is a very unique residential program that serves individuals that are a high-risk to the community and themselves. They require close monitoring; many have vast medical needs and specialized dietary needs as well as challenging behaviors. These individuals have not had a stable placement until finding the Deep Creek Program. Deep Creek combines a structured residential environment and as well as a day program.

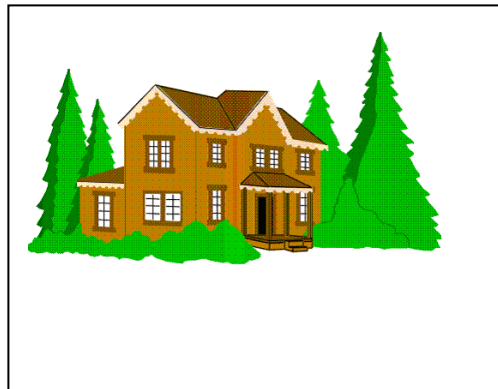
Alternate Family Living (AFL): There are numerous AFL's at Davidson Homes. Davidson Homes has been supporting quality AFL's for 13 years. These homes provide a comfortable family environment with trained and experienced staff. The agency prides itself in matching the consumer to the provider.

Respite Care: A provision of relief for families and consumers by trained staff working with the consumers. Respite is also provided at the LINCS Day Program on weekends.

LINCS: A day program in Swannanoa providing a wide range of activities and experiences including educational and work experiences (Supported Employment). There are 33 consumers in regular attendance.

Home and Community Services: Periodic staff are trained to provide scheduled activities one to one with consumers in the community and at home.

Personal Care: A provision for assisting consumers and families with consumer related care such as feeding, bathing, dressing, changing and hygiene, etc.



Client Advocacy Meetings

Client Advocacy meetings are a forum for the individuals that we serve to express their opinions and concerns. These meetings are held quarterly at program locations such as LINCS, but all Davidson Homes consumers are invited to attend a meeting at any location. Invitations are mailed to each consumer, as well as being posted in the various program areas. See the calendar to the right for times and dates, which are subject to change.

Client Advocacy Meeting Schedule

January 14 – 1:30pm

March 10 – 1:30pm

June 16 – 1:30pm

September 15 – 1:30 PM

December 8 – 1:30pm

The Wellness Program

In October of this year, Davidson Homes started a wellness program for all consumers. This program allows consumers to select from one or up to three of the available incentives: Weight loss, daily exercise, or making good food choices. At the end of each month, the records of daily achievement are turned in to determine the winners in each of the three areas. A tee shirt is awarded for each of the winners in each of the contest areas. The winners are also recognized at the LINC'S Day program and announced in the monthly newsletter.

Davidson Homes is always open to suggestions or possible questions related to services.
The phone numbers for each office may be found on page 8 of this report.

Davidson Homes
2084 US HWY 70
Swannanoa, NC 28778

US POSTAGE

ADDRESS CORRECTION REQUESTED

Mailing Address
Street Number and Name
City, State 98765-4321