Echoing Hills Village, Inc. and Affiliate

Consolidated Financial Report
with Additional Information
December 31, 2016

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Independent Auditor's Report

To the Board of Directors
Echoing Hills Village, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Echoing Hills Village, Inc. and Affiliate (the "Village and Affiliate"), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Echoing Hills Village, Inc. and Affiliate as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

March 13, 2017

Consolidated Statement of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash	$ 1,644,288	$ 2,298,381
Accounts receivable	2,370,019	2,222,091
Unconditional promises to give (Note 5)	11,869	2,970
Prepaid expenses and other current assets	274,903	243,610
Total current assets	4,301,079	4,767,052
Investments (Notes 7 and 19)	4,052,717	3,866,541
Property and Equipment - Net (Note 6)	8,740,147	7,980,342
Assets Held for Sale (Note 6)	152,079	-
Other Assets		
Deposits	9,608	9,608
Cash surrender value life insurance (Note 8)	158,247	126,256
Unconditional promises to give - Net of current portion (Note 5)	5,487,075	5,209,400
Life insurance premium receivable (Note 9)	139,746	135,991
Total assets	**$ 23,040,698**	**$ 22,095,190**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,835,994	$ 1,558,162
Current portion of long-term debt (Note 11)	181,684	166,126
Current portion of capital lease obligation	31,755	52,566
Current portion of charitable gift annuity payable	8,873	8,520
Accrued expenses	1,636,887	1,667,073
Total current liabilities	3,695,193	3,452,447
Long-term Debt - Net of current portion (Note 11)	1,975,688	2,002,520
Charitable Gift Annuity Payable - Net of current portion	41,187	50,755
Capital Lease Obligation - Net of current portion	-	34,848
Total liabilities	5,712,068	5,540,570
Net Assets		
Unrestricted	7,430,721	7,059,101
Temporarily restricted (Note 12)	1,910,345	1,703,350
Permanently restricted (Note 12)	7,987,564	7,792,169
Total net assets	17,328,630	16,554,620
Total liabilities and net assets	**$ 23,040,698**	**$ 22,095,190**

See notes to consolidated financial statements.

Consolidated Statement of Activities

Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenue		
Net service revenue	$ 26,007,767	$ 24,422,108
Net realized and unrealized gains (losses) on investments	219,956	(127,907)
Other operating revenue	152,274	294,951
Net assets released from restrictions	394,139	229,216
Total operating revenue	26,774,136	24,818,368
Expenses		
Protected costs	2,279,352	2,360,541
Direct care	15,269,831	14,135,722
Indirect care	7,237,857	7,204,514
Capital costs	1,262,986	1,124,262
Nonreimbursable other	380,921	379,940
Total expenses	26,430,947	25,204,979
Operating Income (Loss)	343,189	(386,611)
Other Income (Expense)		
Interest and dividend income	94,800	126,221
Contributions	117,609	224,606
Fundraising expense	(183,978)	(101,182)
Total nonoperating income	28,431	249,645
Excess of Revenue Over (Under) Expenses	**$ 371,620**	**$ (136,966)**

Consolidated Statement of Changes in Net Assets

Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets - Excess of revenue over (under) expenses	$ 371,620	$ (136,966)
Temporarily Restricted Net Assets		
Restricted contributions	518,309	224,771
Change in value of split-interest agreements	82,825	6,050
Net assets released from restriction	(394,139)	(229,216)
Increase in temporarily restricted net assets	206,995	1,605
Permanently Restricted Net Assets		
Contributions	545	25,750
Change in value of split-interest agreements	194,850	(47,100)
Increase (decrease) in permanently restricted net assets	195,395	(21,350)
Increase (Decrease) in Net Assets	774,010	(156,711)
Net Assets - Beginning of year	16,554,620	16,711,331
Net Assets - End of year	**$ 17,328,630**	**$ 16,554,620**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 774,010	$ (156,711)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	1,026,178	922,987
Net realized and unrealized (gain) loss on investments	(219,956)	127,907
(Gain) loss on disposal of equipment	(7,816)	9,638
Change in value of split-interest agreements	(277,675)	41,050
Permanently restricted contributions	(545)	(25,750)
Provision for bad debts	27,007	72,421
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(174,935)	(54,492)
Unconditional promises to give	(8,899)	35,418
Prepaid and other assets	(31,293)	(69,808)
Accounts payable	277,832	(27,127)
Accrued expenses	(30,186)	(86,616)
Net cash provided by operating activities	1,353,722	788,917
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,955,579)	(1,724,148)
Proceeds from sale of property and equipment	25,333	450
Purchase of investments	(313,600)	(314,302)
Proceeds from sale of investments	347,380	504,504
Change in surrender value of life insurance	(35,746)	(39,352)
Net cash used in investing activities	(1,932,212)	(1,572,848)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	159,120	1,412,851
Principal payments on long-term debt	(170,394)	(126,735)
Principal payments on capital lease obligations	(55,659)	(95,699)
Net change in annuity obligations	(9,215)	(8,501)
Contributions with long-term restrictions	545	25,750
Net cash (used in) provided by financing activities	(75,603)	1,207,666
Net (Decrease) Increase in Cash	(654,093)	423,735
Cash - Beginning of year	2,298,381	1,874,646
Cash - End of year	**$ 1,644,288**	**$ 2,298,381**
Supplemental Cash Flow Information - Cash paid for interest	$ 89,056	$ 96,353

Note 1 - Nature of Business

Echoing Hills Village, Inc. (the "Village") is a not-for-profit corporation organized for the purpose of providing for the needs of individuals with physical and intellectual disabilities. The Village operates various programs and support services that are detailed in Note 4. The Village is the sole corporate member of Echoing Hills Village Foundation, Inc. (the "Foundation").

Echoing Hills Village Foundation, Inc. is a separate not-for-profit corporation organized to support the activities and programs of the Village. The Foundation receives and manages contributions and endowment funds for the benefit of the Village. The Foundation is supported by donor contributions and investment earnings.

Note 2 - Significant Accounting Policies

Basis of Presentation and Consolidation

The consolidated financial statements of Echoing Hills Village, Inc. and Affiliate (the "Village and Affiliate") have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

The accompanying consolidated financial statements include the accounts of the Village and Affiliate. All significant intercompany transactions and balances have been eliminated in consolidation.

Resident Funds Held in Trust

The Village and Affiliate maintain various bank accounts for deposits and disbursements for the residents' personal needs allowances. These funds are held in trust by the Village and Affiliate and total $592,330 and $527,285 at December 31, 2016 and 2015, respectively. Accordingly, these cash balances are included as cash and the offsetting liability has been included in accounts payable on the consolidated statement of financial position.

Accounts Receivable (ICF/IID)

Accounts receivable are recorded at stated amounts based on a unit rate for services provided to individuals qualified to receive services from the Village. The Village has a significant concentration of its accounts receivable balance due from Medicaid for receivables related to its ICF/IID residents. At December 31, 2016 and 2015, the Medicaid accounts receivable as a percentage of total accounts receivable were 95 percent. An allowance for doubtful accounts is established based on a specific assessment of all receivables that remain unpaid following normal collection periods. Management has determined that an allowance for doubtful accounts was not required as of December 31, 2016 or 2015.

Property and Equipment

Property and equipment purchases are recorded at cost or, if donated, at the estimated fair market value at the time of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from operating loss, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Note 2 - Significant Accounting Policies (Continued)

Investments

Investments, which consist principally of equities and fixed-income securities, are carried at fair value based upon independent market quotes. The change in fair value is reported as unrealized gain and loss in the accompanying consolidated statement of activities. Donated investments are recorded as contributions at their estimated fair values at the time of donation.

Cash Surrender Value of Life Insurance

The Village and Affiliate record as an asset the cash surrender value of life insurance policies, net of any policy loans, in which they are the owner and the beneficiary.

Gift Annuity Obligations

The Village and Affiliate have entered into various gift annuity agreements whereby, upon receipt of an annuity gift, the Village and Affiliate pay the donor an annuity for the remainder of his or her life and/or spouse's life. At the time of the gift, the assets are recorded at their fair market value and an obligation is established for the present value of the annuity payments estimated to occur based upon the donor's and/or spouse's life expectancy. The difference between the gift and the obligation is recognized as unrestricted contributions or as an increase in restricted net assets based upon the donor-imposed restrictions, if any. As of December 31, 2016 and 2015, the Village and Affiliate have unrestricted gift annuity obligations of $50,060 and $59,275, respectively.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Village and Affiliate with specific programs related to resident care and activities.

Income Taxes

The Village and Affiliate are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the affiliated organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2). Management is not aware of any course of action or series of events that have occurred that might adversely affected qualified status.

Note 2 - Significant Accounting Policies (Continued)

Service Revenue

The Village and Affiliate's principal activities are operating long-term healthcare facilities and day activity programs for individuals with physical and intellectual disabilities. Revenue is primarily derived from participation in the Medicaid program. Amounts earned under the Medicaid program are subject to review and audit by the third-party payors and make up approximately 76 percent and 78 percent of total operating revenue for the years ended December 31, 2016 and 2015, respectively.

The payment methodology and amounts earned related to these programs are based on cost and clinical assessments that are subject to review and final approval by Medicaid. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

ICF/IID Revenue

Medicaid reimbursement for an Ohio ICF/IID is based on cost and clinical assessments, with a rate cap based on the statewide average Medicaid rate for ICFs/IID. The Medicaid payment system in Ohio is a prospective one, whereby rates for the following state fiscal year beginning July 1 are based upon filed cost reports for the preceding calendar year. Future reimbursement changes are subject to legislative approval. The continuity of this system is subject to the uncertainty of the fiscal health of the State of Ohio, which can directly impact future rates and the methodology currently in place. Any significant change in rates, or the payment system itself, could have a material impact on future Medicaid funding to providers.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicaid program.

Day Habilitation Revenue

The Village provides day habilitation services for its own ICF/IID and waiver clients and those living in other home and community settings through its Community Connections programs. Payments for the Village’s ICF/IID clients come from the facility's overall Medicaid rate. Clients who live in other ICFs/IID pay on a fee-for-service basis. The Village bills the Department of Developmental Disabilities for its own clients and others in the community who are funded through State of Ohio waiver programs. The Ohio legislature, through its biennium budget process, sets both ICF/IID and waiver reimbursement payment rates.

Waiver Revenue

The Department of Developmental Disabilities (DODD) provides payment for home- and community-based programs for individuals with developmental disabilities through the Individual Optional Waiver and Level One Waiver programs. Based upon individual client functional assessment tools and service requirements, individuals are assigned funding allocations for future services.

The Village is certified by the DODD to provide certain waiver services in the areas of homemaker/ personal care, out-of-home respite, transportation, and adult day support. The Village bills the DODD directly to receive payment for the services it provides. Future revenue is subject to annual reassessments of individual needs and functioning levels and State of Ohio departmental budget allocations.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Village and Affiliate are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Village and Affiliate's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Excess of Revenue Over (Under) Expenses

The consolidated statement of activities includes excess of revenue over (under) expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over (under) expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Village and Affiliate’s year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Village and Affiliate have not yet determined which application method they will use. Management does not expect that this standard will have a significant impact to the timing and recognition pattern of the Village and Affiliate’s main revenue streams.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Village and Affiliate’s year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Village and Affiliate’s consolidated financial statements.

Note 2 - Significant Accounting Policies (Continued)

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Village and Affiliate, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Village and Affiliate's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Village and Affiliate are currently evaluating the impact this standard will have on the consolidated financial statements.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including March 13, 2017, which is the date the consolidated financial statements were available to be issued.

Note 3 - Cash in Excess of Insured Limits

The Village and Affiliate maintain cash and investments at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the Village and Affiliate are likely to have deposits greater than insured limits. Management believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village and Affiliate evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level will be used as depositories.

Note 4 - Description of Programs and Support Services

The following is a brief description of the Village's programs:

Residential Services

The Village operates 15 intermediate-care facilities. These programs are licensed in the state of Ohio and are certified to receive Medicaid funds. The services offered include year-round living accommodations in a home-like atmosphere, professional care, and various opportunities for daily activity. The Village also provides homemaker and personal care services and transportation to individuals who live in their own homes or apartments.

Camp Echoing Hills

Camp Echoing Hills (the "Camp") provides year-round recreational opportunities for the developmentally disabled. The Camp provides opportunity for physical enrichment through activities such as baseball, hayrides, swimming, and other events. Spiritual nurture is gained through discussion groups and worship and devotional programs in and out of doors. Funding for the camping program comes from fees for services and contributions from interested individuals, businesses, service clubs, churches, and foundations.

Travel Opportunities

This program, sponsored by the Camp, allows the developmentally disabled special travel opportunities for recreation and spiritual growth. Trips have been taken to Germany, Panama, and many states in the U.S., including Arizona, California, Florida, Hawaii, Maryland, and New York. Funding for travel opportunities comes from fees for services and contributions.

Note 4 - Description of Programs and Support Services (Continued)

Ghana, West Africa

The Village has received authorization to operate in the West African nation of Ghana as a nongovernmental organization with the primary purpose of general improvement of the conditions of life of the developmentally disabled in Ghana and creating a sense of self worth among the people. The Village intends to accomplish this through the operation of a residential center, diagnostic clinics, church outreach programs, and Christian camping opportunities. The Ghana program is currently serving 40 individuals in year-round living settings.

Community Connections

These programs, located in Ohio in Stark, Montgomery, Athens, and Coshocton counties, are an alternative to the counties' sheltered workshop program that provides individuals with physical and intellectual disabilities opportunities for paid employment, vocational training, and recreational activities in coordination with career and skills development and community integration.

Echoing U

Echoing U is a four-year post-secondary transition program for young adults with disabilities up to age 30 who have graduated high school. These students are not suited for traditional colleges and are not yet prepared for full-time competitive employment. Echoing U provides a four-year cohort program where young people can build practical, real-world life skills that prepare them to make the next major steps in their lives. The goal of the program is to see young adults with physical and intellectual disabilities achieve their fullest potential.

Note 5 - Promises to Give

The Village and Affiliate had the following outstanding unconditional promises to give as of December 31, 2016 and 2015:

	2016	2015
Less than one year - Other conditional promises	$ 11,869	$ 2,970
Greater than five years - Split-interest agreements	5,487,075	5,209,400
Total	$ 5,498,944	$ 5,212,370

Under the split-interest agreements, the Village and Affiliate will receive future distributions from trusts only after obligations to another beneficiary are satisfied over the remaining life of the beneficiary. At the time of the beneficiary's death, the trusts are to terminate and the remaining trust assets are to be distributed to the Village and Affiliate. The fair value of the assets in the trusts less the present value of the expected payments to the beneficiary uses the beneficiary's life expectancy and a 1.68 percent discount rate (2.61 percent in 2015). It is at least reasonably possible that the recorded value of the split-interest agreements will change in the near term. The split-interest agreements are made up of both temporarily and permanently restricted donations. The change in value of split-interest agreements for 2016 and 2015 was made up of $82,825 and $6,050, respectively, in temporarily restricted changes and $194,850 and $47,100, respectively, in permanently restricted changes.

The Village and Affiliate have received numerous bequests included in wills. These bequests are considered intentions to give because the donor has the right to modify the will and, accordingly, the bequests are not recorded in the consolidated financial statements until each will has been validated after the donor's death.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2016	2015	Depreciable Life - Years
Land	$ 1,020,423	$ 1,000,096	-
Land improvements	2,536,273	2,384,165	10-40
Buildings	14,525,626	15,525,768	10-40
Machinery and equipment	4,550,063	4,212,733	2-20
Transportation equipment	2,725,553	2,463,471	3-5
Construction in progress	392,858	529,234	-
Total cost	25,750,796	26,115,467	
Accumulated depreciation	17,010,649	18,135,125	
Net property and equipment	$ 8,740,147	$ 7,980,342	

Depreciation and amortization expense for 2016 and 2015 was $1,026,178 and $922,987, respectively.

Construction in progress relates to the construction of two new group homes. Commitments related to this project total approximately $967,000 at December 31, 2016.

The building, land, and land improvements of Echoing Meadows were held for sale at December 31, 2016. The net value of the building, land, and land improvements is shown as property and equipment held for sale on the consolidated statement of financial position in the amount of $152,079.

Note 7 - Investments

The Village and Affiliate held the following investments as of December 31:

	2016	2015
Fixed-income securities	$ 120,597	$ 180,859
Equities	3,932,120	3,685,682
Total	$ 4,052,717	$ 3,866,541

Note 8 - Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of a $2,000,000 face value life insurance policy on the life of the founder. The cash surrender value on this policy totaled $141,700 and $108,113 as of December 31, 2016 and 2015, respectively.

In addition, certain nonemployees of the Village and Affiliate have contributed their whole life insurance policies to the Village and Affiliate. The Village and Affiliate are the owners and beneficiaries of five individual life insurance policies at December 31, 2016 and 2015. These policies collectively have a face value of $217,210 at December 31, 2016 and 2015. The cash surrender value of these policies was $16,547 and $18,143 as of December 31, 2016 and 2015, respectively.

Note 9 - Life Insurance Premium Receivable

The Village is the owner and beneficiary of a $500,000 face value, flexible premium, and adjustable life insurance policy on the life of the founder. In accordance with the policy agreement, the Village will receive an amount equal to the aggregate of the premiums it has paid with the remaining benefit being paid to the beneficiaries of the founder. The cumulative premiums paid by the Village totaled $139,746 and $135,991 as of December 31, 2016 and 2015, respectively.

Note 10 - Self Insurance

The Village is self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over $100,000 per covered life. Claims charged to operations were approximately $1,413,000 and $1,389,000 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Village had recorded an accrual for health insurance for $132,126 and $236,951, respectively, within accrued expenses.

Note 11 - Long-term Debt

Long-term debt at December 31 is as follows:

	2016	2015
Mortgage note due in monthly principal and interest installments of $1,320 at 5 percent through September 2034. The note is secured by the real estate purchased with the mortgage note proceeds	$ 186,117	$ 192,485
Note payable due in monthly principal and interest installments of $5,824 at 4 percent through maturity in August 2020. The note is secured by an open-end mortgage agreement	913,693	945,730
Mortgage note with original amount of $550,000 due in monthly principal and interest installments $4,044 at 3.85 percent through December 2029. The note is secured by real estate	498,998	529,686
Vehicle loan due in monthly principal interest installments of $2,818 at 3.89 percent through March 2019. The outstanding balance is secured by individual vehicles purchased with proceeds from the loan	75,342	105,619
Various individual vehicle loans payable, which are due in monthly installments ranging from $391 to $2,307, including interest ranging from 3.95 percent to 6.25 percent. These loans are repayable over terms ranging from 48 months to 60 months and are secured by individual vehicles purchased with proceeds from the loans	209,774	99,829
Note payable due in monthly principal and interest installments of $3,257 at 6.15 percent through March 2026. This note is secured by the real estate purchased with the note payable proceeds	273,448	295,297
Total	2,157,372	2,168,646
Less current portion	181,684	166,126
Long-term portion	$ 1,975,688	$ 2,002,520

Two of the notes payable described above include financial covenants. As of December 31, 2016, the Village was in compliance with these covenants.

Scheduled principal repayments on long-term debt are as follows:

Years Ending	Amount
2017	$ 181,684
2018	188,784
2019	310,575
2020	132,035
2021	135,179
Thereafter	1,209,115
Total	$ 2,157,372

Note 11 - Long-term Debt (Continued)

Interest expense for 2016 and 2015 was $86,990 and $96,591, respectively, which includes capitalized interest totaling $0 and $42,204 for the years ended December 31, 2016 and 2015, respectively.

Note 12 - Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Resident travel	$ 1,448,625	$ 1,365,800
Purchase of property and equipment	74,864	71,746
Future periods' activities	386,856	265,804
Total	$ 1,910,345	$ 1,703,350

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Village and Affiliate's general activities.

Note 13 - Retirement Plan

The Village maintains a tax-deferred annuity retirement plan qualified under Section 403(b) of the Internal Revenue Code for qualified employees who meet certain service requirements. The plan covers all employees who have exceeded 1,000 hours of service and who have reached age 21. The Village matches 50 percent of the first 2 percent of the employee's contribution to the plan. Pension expense for the defined contribution 403(b) plan totaled $53,025 and $56,683 for the years ended December 31, 2016 and 2015, respectively.

Note 14 - Related Party Transactions

Certain administrative expenses for Echoing Ridge Residential, Inc., an affiliated organization, are paid by the Village. During 2016 and 2015, the Village was reimbursed $7,896 for these expenses.

Note 15 - Functional Expenses

The costs of providing the various programs and other activities of the Village and Affiliate are summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited based on employee time records, number of beds, and other bases. Functional expenses are as follows:

	2016	2015
Program services	$ 24,470,135	$ 23,204,805
Management and general	1,960,812	2,000,174
Fundraising	183,978	101,182
Total	$ 26,614,925	$ 25,306,161

Note 16 - Community Foundation of Greater Lorain County

The Community Foundation of Greater Lorain County (the "Community Foundation") has funds for the Village and Affiliate. Contributions to the funds are considered irrevocable gifts to the Community Foundation. The funds are administered by the Community Foundation and are subject to the Community Foundation's governing instruments. The market value of the funds was $383,097 and $379,862 as of December 31, 2016 and 2015, respectively. Accordingly, the Village and Affiliate have not recorded these funds in their consolidated financial statements. Periodically, the Community Foundation makes distributions from the funds, which the Village and Affiliate record as revenue upon receipt. The Village and Affiliate received contributions of $0 and $47,200 from the Community Foundation during 2016 and 2015, respectively.

Note 17 - Line of Credit

The Village established a $750,000 line of credit with the bank, collateralized by all non-real estate operating assets, and bearing interest at a rate of LIBOR plus 3 percent (effective rate of 3.48 percent as of December 31, 2016). There were no outstanding borrowings on the line of credit at December 31, 2016 and 2015. The line of credit matures on July 18, 2018.

The Village also established an additional bank line of credit in 2008 with a credit limit of $200,000. Proceeds from draws on the line of credit are used toward the purchase of vehicles for the Village. Once the purchase of the vehicle is completed, the total draw is converted into a term note, collateralized by the vehicle, with a term of 60 months (see Note 11 for terms of vehicle loans payable). For the years ended December 31, 2016 and 2015, $159,120 and $94,930, respectively, had been drawn and converted into term notes.

Note 18 - Commitments and Contingencies

Governmental Grant Funding

Three buildings, Echoing Woods, Echoing Valley, and Echoing Meadows, were built primarily with funds from the State of Ohio. In accordance with the related contracts, the Village has agreed to use these facilities to provide services to persons with developmental disabilities for a term of not less than 40 years, expiring through 2024.

As long as the facilities are utilized as described above, the State of Ohio will forgive monthly principal payments required under the terms of the agreements as established. In addition, the agreements do not require the payment of interest. In the event the use of the facilities is changed prior to the expiration of the agreed-upon time periods, the Village would become liable for the unamortized portion of the grants, which totals $556,620 and $681,382 as of December 31, 2016 and 2015, respectively. Consistent with its mission, it is the intent of the Village to operate these homes for the required period. Management has assessed the likelihood of potential repayment of these grant funds as remote; accordingly, no liability has been recorded in the accompanying consolidated financial statements.

Ghana Cripples' Aid Society

During the year ended December 31, 2010, the Village entered into an agreement to make annual rent payments of 3,500 Ghana cedis (approximately $819 at December 31, 2016), payable yearly in advance of January 1 of each year to the Ghana Society for the Socially Disadvantaged. In addition, a one-time payment of $5,000 was due on the date of the execution of the rental agreement.

The Village made rent payments of $8,500 and $3,500 during the years ended December 31, 2016 and 2015, respectively, under these agreements.

Note 19 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Village and Affiliate's assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015 and the valuation techniques used by the Village and Affiliate to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Village and Affiliate have the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Village and Affiliate's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Assets				
Bonds - Fixed income	$ -	$ 120,597	$ -	$ 120,597
Common stock - Domestic	247,940	-	-	247,940
Bond fund - Short term	404,686	-	-	404,686
Bond fund - Intermediate term	853,675	-	-	853,675
Equity funds - Small-cap blend	248,911	-	-	248,911
Equity funds - Mid-cap blend	227,343	-	-	227,343
Equity funds - Large-cap	216,979	-	-	216,979
Equity funds - Large blend	1,014,775	-	-	1,014,775
Equity funds - Large value	156,327	-	-	156,327
Equity funds - Growth	50,810	-	-	50,810
Equity funds - International	329,392	-	-	329,392
Equity funds - Healthcare	32,852	-	-	32,852
Equity funds - Technology	96,720	-	-	96,720
Equity funds - Consumer staples	51,710	-	-	51,710
Total assets	$ 3,932,120	$ 120,597	$ -	$ 4,052,717
Liabilities				
Charitable gift annuity payable	$ -	$ -	$ 50,060	$ 50,060

Note 19 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Assets				
Bonds - Fixed income	$ -	$ 180,859	$ -	$ 180,859
Common stock - Domestic	230,223	-	-	230,223
Bond fund - Short term	398,862	-	-	398,862
Bond fund - Intermediate term	745,903	-	-	745,903
Equity funds - Small-cap blend	199,299	-	-	199,299
Equity funds - Mid-cap blend	191,565	-	-	191,565
Equity funds - Large-cap	193,910	-	-	193,910
Equity funds - Large blend	806,862	-	-	806,862
Equity funds - Large value	114,605	-	-	114,605
Equity funds - Growth	39,825	-	-	39,825
Equity funds - International	576,717	-	-	576,717
Equity funds - Healthcare	51,761	-	-	51,761
Equity funds - Technology	85,660	-	-	85,660
Equity funds - Consumer staples	50,490	-	-	50,490
Total assets	$ 3,685,682	$ 180,859	$ -	$ 3,866,541
Liabilities				
Charitable gift annuities	$ -	$ -	$ 59,275	$ 59,275

The fair value of fixed-income bonds at December 31, 2016 and 2015 was determined primarily based on Level 2 inputs. The Village and Affiliate estimate the fair value of these investments using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2016 and 2015 are as follows:

	Charitable Gift Annuity Payable
Balance at January 1, 2016	$ 59,275
Total purchases, sales, and maturities	(9,215)
Balance at December 31, 2016	$ 50,060

	Charitable Gift Annuity Payable
Balance at January 1, 2015	$ 67,776
Total purchases, sales, and maturities	(8,501)
Balance at December 31, 2015	$ 59,275

Note 19 - Fair Value Measurements (Continued)

The Village and Affiliate have processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. For the value of the charitable gift annuity payable, the Village and Affiliate estimate the fair value of these annuities based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 liabilities. As a result, the unrealized gains and losses for these liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Village and Affiliate's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2016 or 2015.

Note 20 - Donor-restricted Endowments

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Note 20 - Donor-restricted Endowments (Continued)

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

Donor-restricted endowment funds	$ 3,949,114
Split-interest agreements	4,038,450
Total	$ 7,987,564

Changes in endowment net asset for the fiscal year ended December 31, 2016 are as follows:

Endowment net assets - Beginning of year	$ 7,792,169
Investment return:	
Change in value of split-interest agreements	194,850
Contributions	545
Endowment net assets - End of year	$ 7,987,564

Endowment net asset composition by type of fund as of December 31, 2015 is as follows

Donor-restricted endowment funds	$ 3,948,569
Split-interest agreements	3,843,600
Total	$ 7,792,169

Changes in endowment net asset for the fiscal year ended December 31, 2015 are as follows:

Endowment net assets - Beginning of year	$ 7,813,519
Investment return:	
Change in value of split-interest agreements	(47,100)
Contributions	25,750
Endowment net assets - End of year	$ 7,792,169

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2016 and 2015.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 20 - Donor-restricted Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to continue to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 21 - Risks and Uncertainties

The Village and Affiliate invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Additional Information

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Independent Auditor's Report on Additional Information

To the Board of Directors
Echoing Hills Village, Inc. and Affiliate

We have audited the consolidated financial statements of Echoing Hills Village, Inc. and Affiliate as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 13, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2016 consolidated financial statements as a whole. The following consolidating information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2016 consolidated financial statements as a whole.

Plante & Moran, PLLC

March 13, 2017

Consolidating Statement of Financial Position

December 31, 2016

	Echoing Hills Village	Echoing Hills Village Foundation	Eliminating Entries	Total
Assets				
Current Assets				
Cash	$ 1,598,849	$ 45,439	$ -	$ 1,644,288
Accounts receivable	2,367,732	2,287	-	2,370,019
Unconditional promises to give	11,869	-	-	11,869
Prepaid and other current assets	273,681	1,222	-	274,903
Total current assets	4,252,131	48,948	-	4,301,079
Property and Equipment - Net	8,740,147	-	-	8,740,147
Interest in Net Assets of Charitable Foundation	8,258,863	-	(8,258,863)	-
Assets Held for Sale	152,079	-	-	152,079
Other Assets				
Investments	-	4,052,717	-	4,052,717
Deposits	9,560	48	-	9,608
Cash surrender value life insurance	-	158,247	-	158,247
Unconditional promises to give - Net of current portion	1,448,625	4,038,450	-	5,487,075
Life insurance premium receivable	139,746	-	-	139,746
Total other assets	1,597,931	8,249,462	-	9,847,393
Total assets	**$ 23,001,151**	**$ 8,298,410**	**$ (8,258,863)**	**$ 23,040,698**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 1,830,713	$ 5,281	$ -	$ 1,835,994
Current portion of long-term debt	181,684	-	-	181,684
Current portion of capital lease obligation	31,755	-	-	31,755
Current portion of charitable gift annuity payable	3,712	5,161	-	8,873
Accrued expenses	1,636,887	-	-	1,636,887
Total current liabilities	3,684,751	10,442	-	3,695,193
Long-term Debt - Net of current portion	1,975,688	-	-	1,975,688
Charitable Gift Annuity Payable - Net of current portion	12,082	29,105	-	41,187
Total liabilities	5,672,521	39,547	-	5,712,068
Net Assets				
Unrestricted	7,430,721	196,400	(196,400)	7,430,721
Temporarily restricted	1,910,345	74,899	(74,899)	1,910,345
Permanently restricted	7,987,564	7,987,564	(7,987,564)	7,987,564
Total net assets	17,328,630	8,258,863	(8,258,863)	17,328,630
Total liabilities and net assets	**$ 23,001,151**	**$ 8,298,410**	**$ (8,258,863)**	**$ 23,040,698**

Consolidating Statement of Activities

Year Ended December 31, 2016

	Echoing Hills Village	Echoing Hills Village Foundation	Eliminating Entries	Total
Operating Revenue				
Net service revenue	$ 26,007,767	$ -	$ -	$ 26,007,767
Net realized and unrealized gains on investments	-	219,956	-	219,956
Other operating revenue	152,274	-	-	152,274
Net assets released from restrictions	394,139	-	-	394,139
Total operating revenue	26,554,180	219,956	-	26,774,136
Operating Expenses				
Protected costs	2,279,352	-	-	2,279,352
Direct care	15,269,831	-	-	15,269,831
Indirect care	7,151,947	301,910	(216,000)	7,237,857
Capital costs	1,262,986	-	-	1,262,986
Nonreimbursable other	380,921	-	-	380,921
Total operating expenses	26,345,037	301,910	(216,000)	26,430,947
Operating Income (Loss)	209,143	(81,954)	216,000	343,189
Nonopearting Income (Expense)				
Interest and dividend income	496	94,304	-	94,800
Contributions	329,981	3,628	(216,000)	117,609
Fundraising expense	(183,978)	-	-	(183,978)
Change in interest in net asset of the Foundation	15,978	-	(15,978)	-
Total nonoperating income	162,477	97,932	(231,978)	28,431
Excess of Revenue Over Expenses	371,620	15,978	(15,978)	371,620
Increase in Unrestricted Net Assets	**$ 371,620**	**$ 15,978**	**$ (15,978)**	**$ 371,620**

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2016

	Echoing Hills Village	Echoing Hills Village Foundation	Eliminating Entries	Total
Unrestricted - Excess of revenue over expenses	$ 371,620	$ 15,978	$ (15,978)	$ 371,620
Temporarily Restricted				
Restricted contributions	518,309	-	-	518,309
Restricted investment income	82,825	-	-	82,825
Net assets released from restriction - Temporarily unrestricted	(394,139)	-	-	(394,139)
Increase in temporarily restricted	206,995	-	-	206,995
Permanently Restricted				
Restricted contributions	-	545	-	545
Restricted investment income	-	194,850	-	194,850
Change in interest of restricted net assets of outside trust	195,395	-	(195,395)	-
Increase in permanently restricted	195,395	195,395	(195,395)	195,395
Increase in Net Assets	774,010	211,373	(211,373)	774,010
Net Assets - Beginning of year	16,554,620	8,047,490	(8,047,490)	16,554,620
Net Assets - End of year	**$ 17,328,630**	**$ 8,258,863**	**$ (8,258,863)**	**$ 17,328,630**