

**ECHOING HILLS VILLAGE, INC.
AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017 AND 2016**



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Echoing Hills Village, Inc. and Echoing Hills Village Foundation, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit 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 Organization'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules on pages 25 through 30 are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 consolidated financial statements as a whole.

Other Matter

The consolidated financial statements of Echoing Hills Village, Inc. and Affiliate as of and for the year ended December 31, 2016, were audited by other auditors, whose report dated March 13, 2017, expressed an unmodified opinion on those consolidated statements.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
March 28, 2018

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,136,998	\$ 1,051,959
Accounts receivable	2,736,561	2,370,019
Unconditional promises to give	9,566	11,869
Resident funds	591,183	592,329
Prepaid expenses and other current assets	317,200	274,903
Total current assets	4,791,508	4,301,079
Investments	4,058,647	4,052,717
Property and equipment - net	9,426,570	8,481,827
Assets held for sale	120,141	152,079
Other Assets		
Deposits	9,608	9,608
Cash surrender value life insurance	190,963	158,247
Unconditional promises to give - net of current portion	6,134,350	5,487,075
Life insurance premium receivable	143,501	139,746
Total other assets	6,478,422	5,794,676
Total assets	\$ 24,875,288	\$ 22,782,378
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,316,067	\$ 1,243,665
Resident funds payable	591,183	592,329
Line of credit	563,500	0
Current portion of long-term debt	232,572	181,684
Current portion of capital lease obligation	19,508	31,755
Current portion of charitable gift annuity payable	10,611	8,873
Accrued payroll and related	2,030,181	1,636,887
Total current liabilities	4,763,622	3,695,193
Long term debt - net of current portion	2,563,595	1,717,368
Charitable gift annuity payable - net of current portion	31,937	41,187
Capital lease obligation - net of current portion	89,927	0
Total liabilities	7,449,081	5,453,748
Net assets		
Unrestricted	6,775,468	7,430,721
Temporarily restricted	2,197,825	1,910,345
Permanently restricted	8,452,914	7,987,564
Total net assets	17,426,207	17,328,630
Total liabilities and net assets	\$ 24,875,288	\$ 22,782,378

The accompanying notes are an integral part of these financial statements.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2017 and 2016

	Year Ended December 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues				
Net service revenue	\$ 26,354,628	\$ 0	\$ 0	\$ 26,354,628
Net realized and unrealized gains on investments	429,579			429,579
Other operating revenue	179,163			179,163
Net assets released from restrictions	181,890	(181,890)		0
Total operating revenues	<u>27,145,260</u>	<u>(181,890)</u>	<u>0</u>	<u>26,963,370</u>
Operating expenses				
Program expenses	25,685,254			25,685,254
General and administrative expenses	2,091,722			2,091,722
Fundraising expenses	226,468			226,468
Total operating expenses	<u>28,003,444</u>	<u>0</u>	<u>0</u>	<u>28,003,444</u>
Operating income (loss)	(858,184)	(181,890)	0	(1,040,074)
Other income				
Interest and dividend income	124,247			124,247
Contributions	78,684	286,945	500	366,129
Change in value of split-interest agreements		182,425	464,850	647,275
Total other income	<u>202,931</u>	<u>469,370</u>	<u>465,350</u>	<u>1,137,651</u>
Change in net assets	(655,253)	287,480	465,350	97,577
Net assets - beginning of year	<u>7,430,721</u>	<u>1,910,345</u>	<u>7,987,564</u>	<u>17,328,630</u>
Net assets - end of year	<u>\$ 6,775,468</u>	<u>\$ 2,197,825</u>	<u>\$ 8,452,914</u>	<u>\$ 17,426,207</u>

Year Ended December 31, 2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 26,007,767	\$ 0	\$ 0	\$ 26,007,767
219,956			219,956
152,274			152,274
394,139	(394,139)		0
<u>26,774,136</u>	<u>(394,139)</u>	<u>0</u>	<u>26,379,997</u>
24,474,400			24,474,400
1,956,547			1,956,547
183,978			183,978
<u>26,614,925</u>	<u>0</u>	<u>0</u>	<u>26,614,925</u>
159,211	(394,139)	0	(234,928)
94,800			94,800
117,609	518,309	545	636,463
	82,825	194,850	277,675
<u>212,409</u>	<u>601,134</u>	<u>195,395</u>	<u>1,008,938</u>
371,620	206,995	195,395	774,010
<u>7,059,101</u>	<u>1,703,350</u>	<u>7,792,169</u>	<u>16,554,620</u>
<u>\$ 7,430,721</u>	<u>\$ 1,910,345</u>	<u>\$ 7,987,564</u>	<u>\$ 17,328,630</u>

The accompanying notes are an integral part of these financial statements.

**ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 97,577	\$ 774,010
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	1,106,584	1,014,231
Amortization of financing costs	14,859	11,947
Net realized and unrealized loss on investments	(429,579)	(219,956)
Loss (gain) on disposal of equipment	9,446	(7,816)
Change in value of split-interest agreements	(647,275)	(277,675)
Permanently restricted contributions	(500)	(545)
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	(366,542)	(147,928)
Unconditional promises to give	2,303	(8,899)
Prepaid and other assets	(46,052)	(31,293)
Accounts payable	72,402	277,832
Accrued expenses	393,294	(30,186)
Net cash provided by operating activities	206,517	1,353,722
Cash flows from investing activities		
Purchases of property and equipment	(1,941,792)	(1,955,579)
Proceeds from sale of property and equipment	28,733	25,333
Purchase of investments	(384,435)	(313,600)
Proceeds from sale of investments	808,084	347,380
Change in surrender value of life insurance	(32,716)	(35,746)
Net cash used in investing activities	(1,522,126)	(1,932,212)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	1,090,380	159,120
Net proceeds on line of credit	563,500	0
Principal payments on long-term debt	(194,663)	(170,394)
Principal payments on capital lease obligations	(38,096)	(55,659)
Payment of loan cost	(13,461)	0
Contributions with long-term restrictions	500	545
Net change in annuity obligations	(7,512)	(9,215)
Net cash provided by (used in) financing activities	1,400,648	(75,603)
Net increase (decrease) in cash	85,039	(654,093)
Cash - beginning of year	1,051,959	1,706,052
Cash - end of year	\$ 1,136,998	\$ 1,051,959
Supplemental cash flow information		
Cash paid for interest	\$ 130,124	\$ 89,056
Equipment obtained through acquisition of capital lease obligation	\$ 115,776	\$ 0

The accompanying notes are an integral part of these financial statements.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 1–Nature of organization

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 through residential services and programs. The Village is the sole corporate member of the Echoing Hills Village Foundation, Inc. (the “Foundation”) or (collectively the “Organization”).

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.

The Organizations various program and support services are detailed below:

Residential services - The Village operates 16 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 travel opportunities providing 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.

echoing Connections - These programs, located in Ohio in Stark, Montgomery, Athens, and Coshocton counties, are an alternative to the counties' sheltered workshop program providing 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 may not choose a traditional college or to enter 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.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 2 - Significant accounting policies

Basis of presentation and consolidation

The consolidated financial statements of Echoing Hills Village, Inc. and Echoing Hills Village Foundation, Inc. (collectively the Organization) 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 the Foundation. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. At December 31, 2017 and 2016, the Organization held funds at a financial institution in excess of FDIC insurance levels; however, management believes the risk is negligible.

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, 2017 and 2016, the Medicaid accounts receivable as a percentage of total accounts receivable were 94 and 95 percent, respectively. 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, 2017 and 2016.

Resident funds

The Organization maintains various bank accounts for deposits and disbursements for the residents' personal needs allowances. These funds are held in trust by the Organization and total \$591,183 and \$592,329 at December 31, 2017 and 2016, 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.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 2 - Significant accounting policies - continued

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.

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 Organization records 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.

Charitable gift annuity obligations

The Organization has entered into various gift annuity agreements whereby, upon receipt of an annuity gift, the Organization pays 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, 2017 and 2016, the Organization has unrestricted gift annuity obligations of \$42,548 and \$50,060, respectively.

Unrestricted net assets

Unrestricted net assets consist of all the resources and obligations related to the daily operations of the Organization.

Temporarily restricted net assets

Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 2 - Significant accounting policies - continued

Permanently 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.

Service revenue

The Organization'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 payers and make up approximately 74 percent and 76 percent of total operating revenue for the years ended December 31, 2017 and 2016, 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.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 2 - Significant accounting policies - continued

Service revenue - continued

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 echoing Connections and echoing U 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.

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 Organization with specific programs related to resident care and activities.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and in the supplementary consolidated schedules of functional expenses. Accordingly, these expenses are charged to program, general and administrative and fundraising expenses and general and administrative on the basis of management allocation.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 2 - Significant accounting policies - continued

Income taxes

The Organization is 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.

Management of the Organization is required to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management of the Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). The Organization's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Upcoming accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of the Organization's leasing activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 2 - Significant accounting policies - continued

Upcoming accounting pronouncements - continued

In August 2016, the FASB issued Accounting Standards Update ASU 2016-14 (ASU 2016-14), *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective on a retrospective basis for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

Subsequent events

The Organization has evaluated all events subsequent to the consolidate statement of financial position date of December 31, 2017, through the date of this report, which is the date the consolidated financial statements were available to be issued.

Debt issuance costs and adoption of accounting principle

During 2017, the Organization adopted a new accounting principle, which requires loan costs to be presented as a reduction to the related long term debt. (See Note 10). In connection with certain long term debt, the Organization incurred debt issuance costs of \$594,744 and \$581,283 at December 31, 2017 and 2016, respectively. Debt issuance costs are reported net of accumulated amortization of \$337,822 and \$322,963, respectively at December 31, 2017 and 2016, respectively. Debt issuance costs are amortized by the straight-line method over the term of the related long term debt. Amortization of debt issuance costs of \$14,859 and \$11,947, respectively in 2017 and 2016, respectively, are included in interest expense.

Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. These reclassifications had no effect on previously reported results or net assets.

Note 3 – Unconditional promises to give

The Organization had the following outstanding unconditional promises to give as of December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Less than one year – Other conditional promises	\$ 9,566	\$ 11,869
Greater than five years – Split-interest agreements	<u>6,134,350</u>	<u>5,487,075</u>
Total	<u>\$ 6,143,916</u>	<u>\$ 5,498,944</u>

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 3 – Unconditional promises to give - continued

Under the split-interest agreements, the Organization 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 Organization. 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 1.96 percent discount rate (1.68 percent in 2016). 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 2017 and 2016 was made up of \$182,425 and \$82,825, respectively, in temporarily restricted changes and \$464,850 and \$194,850, respectively, in permanently restricted changes.

The Organization has 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 4 - Investments

The Organization held the following investments as of December 31:

	<u>2017</u>	<u>2016</u>
Fixed-income securities	\$ 60,101	\$ 120,597
Equities	3,998,546	3,932,120
Total	<u>\$ 4,058,647</u>	<u>\$ 4,052,717</u>

Note 5 - Property and equipment

Property and equipment are summarized as follows at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,090,018	\$ 1,020,423
Land improvements	2,899,240	2,536,273
Buildings and improvements	15,792,064	13,944,343
Equipment	3,971,806	4,550,063
Transportation equipment	3,012,653	2,725,553
Construction in progress	18,016	392,858
Total cost	<u>26,783,797</u>	<u>25,169,513</u>
Accumulated depreciation	<u>(17,357,227)</u>	<u>(16,687,686)</u>
Net carrying amount	<u>\$ 9,426,570</u>	<u>\$ 8,481,827</u>

Depreciation expense for 2017 and 2016 was \$1,106,584 and \$1,104,231, respectively.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 5 - Property and equipment - continued

The building, land, and land improvements of Echoing Meadows were held for sale at December 31, 2017 and 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 \$120,141 and \$152,079 as of December 31, 2017 and 2016, respectively.

Note 6 – 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 \$174,680 and \$141,700 as of December 31, 2017 and 2016, respectively.

In addition, certain nonemployees of the Organization have contributed their whole life insurance policies to the Organization. The Organization is the owner and beneficiary of five individual life insurance policies at December 31, 2017 and 2016. These policies collectively have a face value of \$217,210 at December 31, 2017 and 2016. The cash surrender value of these policies was \$16,283 and \$16,547 as of December 31, 2017 and 2016, respectively.

Note 7 – 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 \$143,501 and \$139,746 as of December 31, 2017 and 2016, respectively.

Note 8 - 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 \$1,786,000 and \$1,413,000 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the Village had recorded an accrual for health insurance for \$256,363 and \$132,126, respectively, within accrued expenses.

Note 9 - 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 4.37 percent as of December 31, 2017). The outstanding balance on this line was \$563,500 and \$0 at December 31, 2017 and 2016, respectively. The line of credit matures on July 18, 2018.

The Village also established line of credit with a credit limit of \$240,000 expiring in April 2019. 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 10 for terms of vehicle loans payable). For the years ended December 31, 2017 and 2016, \$90,379 and \$159,120, respectively, had been drawn and converted into term notes.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 10 - Long-term debt

Long-term debt at December 31 is as follows:

	2017	2016
Mortgage note due in monthly principal and interest installments of \$1,320 at 5%, with remaining principal due September 2019. The note is secured by the real estate purchased with the mortgage note proceeds.	\$ 179,432	\$ 186,117
Mortgage note due in monthly principal and interest installments of \$5,824 at 4%, with remaining principal due August 2020. The note is secured by the real estate purchased with the mortgage note proceeds.	880,232	913,693
Mortgage note due in monthly principal and interest installments of \$4,044 at 3.85%, with remaining principal due March 2020. The note is secured by the real estate purchased with the mortgage note proceeds.	471,893	498,998
Mortgage note due in monthly principal and interest installments of \$3,257 at 6.15% through March 2026. The note is secured by the real estate purchased with the mortgage note proceeds.	249,470	273,448
Mortgage note due in monthly principal and interest installments of \$3,135 at 4.33% through May 2022. The note is secured by the real estate purchased with the mortgage note proceeds.	490,397	0
Mortgage note due in monthly principal and interest installments of \$3,135 at 4.33% through September 2022. The note is secured by the real estate purchased with the mortgage note proceeds.	494,828	0
Various vehicle loans payable, which are due in monthly installments ranging from \$391 to \$2,818, including interest ranging from 3.79% to 5.01%. 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.	286,837	285,116
Total	3,053,089	2,157,372
Less current portion of long-term debt	232,572	181,684
Net long-term debt	2,820,517	1,975,688
Less unamortized financing costs	256,922	258,320
Long-term debt, net of current portion and financing costs	\$ 2,563,595	\$ 1,717,368

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 10 - Long-term debt - continued

Two of the notes payable described above include financial covenants. As of December 31, 2017 and 2016, the Village was in compliance with these covenants.

Scheduled principal payments on debt to maturity are as follows for the years ending December 31 are as follows:

2018	\$	232,572
2019		354,254
2020		1,323,241
2021		111,257
2022		919,996
Thereafter		<u>111,769</u>
Total	\$	<u>3,053,089</u>

Interest expense for the years ended December 31, 2017 and 2016 was \$137,177 and \$98,937, respectively, which includes amortization of financing costs of \$14,859 and \$11,947 for the years ended December 31, 2017 and 2016, respectively.

Note 11 – Capital lease obligation

The Village leases certain equipment under capital lease agreements. Future minimum lease payments for the years ending December 31 under the capital lease agreements are as follows:

2018	\$	30,516
2019		30,516
2020		30,516
2021		30,516
2022		<u>18,238</u>
Total minimum lease payments		140,302
Less amounts representing interest		<u>30,867</u>
Present value of minimum lease payments		109,435
Less current principal portion		<u>19,508</u>
Long-term principal obligation	\$	<u>89,927</u>

The cost and accumulated amortization of assets under capital leases are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Equipment and transportation equipment	\$ 115,776	\$ 205,321
Less accumulated amortization	<u>11,890</u>	<u>181,743</u>
	<u>\$ 103,886</u>	<u>\$ 23,578</u>

Depreciation expense under the capital leases for the year ending December 31, 2017 and 2016 were \$11,890 and \$41,763, respectively.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 12 - Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Resident travel	\$ 1,631,058	\$ 1,448,625
Purchase of property and equipment	80,428	74,864
Future periods' activities	486,339	386,856
Total	\$ 2,197,825	\$ 1,910,345

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

Note 13 - Operating leases

The Village has operating leases for certain office facilities, equipment, and vehicles with monthly payments ranging from \$88 to \$6,800 and terms expiring in June 2018 through September 2026. Total rent expenses were approximately \$216,000 and \$228,000 the years ended December 31, 2017 and 2016, respectively.

Future minimum rental commitments for the years ending December 31 are as follows:

2018	\$	227,530
2019		199,200
2020		84,800
2021		9,000
2022		9,000
Thereafter		33,000
Total	\$	562,530

Note 14 – 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 \$50,124 and \$53,025 for the years ended December 31, 2017 and 2016, respectively.

Note 15 – Related party transactions

Certain administrative expenses for Echoing Ridge Residential, Inc., an affiliated organization, are paid by the Village. During 2017 and 2016, the Village was reimbursed \$8,316 and \$7,896 for these expenses, respectively. Accounts receivable due from Echoing Ridge Residential, Inc. as of December 31, 2017 and 2016 totaled \$12,616 and \$9,644, respectively.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 16 - Community Foundation of Greater Lorain County

The Community Foundation of Greater Lorain County (the Community Foundation) holds funds for the Organization. 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 \$414,330 and \$383,097 as of December 31, 2017 and 2016, respectively. Accordingly, the Organization have not recorded these funds in their consolidated financial statements. Periodically, the Community Foundation makes distributions from the funds, which the Organization record as revenue upon receipt. The Organization received contributions of \$17,241 and \$18,552 from the Community Foundation during 2017 and 2016, respectively.

Note 17 – Commitments and contingencies

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 \$431,859 and \$556,620 as of December 31, 2017 and 2016, respectively.

In 2017, residents were relocated from Echoing Meadows to smaller, ICF and waiver funded, residential units, and operations at Echoing Meadows were discontinued. The Department of Developmental Disabilities granted the contingency related to the funds provided for the original purchase of Echoing Meadows, to be transferred to a replacement property in Athens, Ohio with the condition that funds will not require repayment as long as the property is used to provide services to persons with developmental disabilities for the remaining term of the agreement.

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.

Note 18 - 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 Organization's assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 and the valuation techniques used by the Organization to determine those fair values.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 18 - Fair value measurements - continued

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization 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 Organization'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:

<u>Description</u>	2017			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Bonds – fixed income	\$ 60,101	\$ 0	\$ 60,101	\$ 0
Common stock	257,252	257,252		
Mutual funds	1,626,326	1,626,326		
Exchange traded funds	2,114,968	2,114,968		
Total assets	<u>\$ 4,058,647</u>	<u>\$ 3,998,546</u>	<u>\$ 60,101</u>	<u>\$ 0</u>
Liabilities				
Charitable gift annuities	\$ 42,548	\$ 0	\$ 0	\$ 42,548
Total liabilities	<u>\$ 42,548</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,548</u>

<u>Description</u>	2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Bonds – fixed income	\$ 120,597	\$ 0	\$ 120,597	\$ 0
Common stock	247,940	247,940		
Mutual funds	1,441,116	1,441,116		
Exchange traded funds	2,243,064	2,243,064		
Total assets	<u>\$ 4,052,717</u>	<u>\$ 3,932,120</u>	<u>\$ 120,597</u>	<u>\$ 0</u>
Liabilities				
Charitable gift annuities	\$ 50,060	\$ 0	\$ 0	\$ 50,060
Total liabilities	<u>\$ 50,060</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,060</u>

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 18- Fair value measurements - continued

The fair value of fixed-income bonds at December 31, 2017 and 2016 was determined primarily based on Level 2 inputs. The Organization estimates 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, 2017 and 2016 are as follows:

	Charitable gift annuities
Balance at January 1, 2017	\$ 50,060
Total purchases, sales and maturities	(7,512)
Balance at December 31, 2017	\$ 42,548
	Charitable gift annuities
Balance at January 1, 2016	\$ 59,275
Total purchases, sales and maturities	(9,215)
Balance at December 31, 2016	\$ 50,060

The Organization has 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 Organization estimates 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 Organization'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 2017 and 2016.

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 19 - 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

Endowment net asset composition by type of fund as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Donor-restricted endowment funds	\$ 3,949,614	\$ 3,949,114
Split-interest agreements	4,503,300	4,038,450
Total	<u>\$ 8,452,914</u>	<u>\$ 7,987,564</u>

Changes in endowment net asset for the fiscal year ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Endowment net assets – Beginning of year	\$ 7,984,564	\$ 7,792,169
Investment return:		
Change in value of split-interest agreements	464,850	194,850
Contributions	500	545
Endowment net assets – End of year	<u>\$ 8,452,914</u>	<u>\$ 7,987,564</u>

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

Note 19 - Donor-restricted endowments - continued

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, 2017 and 2016.

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.

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 20 - Risks and uncertainties

The Organization invests 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.

SUPPLEMENTARY INFORMATION

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 13,918,379	\$ 1,047,045	\$ 104,906	\$ 15,070,330
Payroll taxes	1,253,593	73,451	6,458	1,333,502
Employee benefits	2,103,904	160,064	1,591	2,265,559
Total salaries and related expenses	<u>17,275,876</u>	<u>1,280,560</u>	<u>112,955</u>	<u>18,669,391</u>
Contracted adult day program	829,794			829,794
Advertising and promotion	31,256	113,470		144,726
Depreciation	1,033,488	72,959	137	1,106,584
Dietary cost	694,813			694,813
Professional fund raising			86,952	86,952
Government mandated fees	1,455,947		2,815	1,458,762
Insurance	121,320	65,870	951	188,141
Information technology	137,157	135,884	5,917	278,958
Professional fees	28,492	83,138		111,630
Lease and rent	216,075	3,800		219,875
Maintenance and repair	577,101	21,662		598,763
Medical and habilitation supplies and equipment	421,567			421,567
Contracted medical and therapy services	823,861	1,058		824,919
Interest	135,044	2,133		137,177
Office expenses	376,064	110,103	15,794	501,961
Other expenses	238,919	50,727		289,646
Staff development, conferences, dues	55,356	63,135	627	119,118
Supplies	269,952	25,881		295,833
Travel	355,668	43,288	320	399,276
Utilities	607,504	18,054		625,558
Total functional expenses	<u>\$ 25,685,254</u>	<u>\$ 2,091,722</u>	<u>\$ 226,468</u>	<u>\$ 28,003,444</u>

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 13,822,608	\$ 1,059,901	\$ 75,964	\$ 14,958,473
Payroll taxes	1,153,684	84,912	4,407	1,243,003
Employee benefits	1,769,312	151,513	1,072	1,921,897
Total salaries and related expenses	<u>16,745,604</u>	<u>1,296,326</u>	<u>81,443</u>	<u>18,123,373</u>
Contracted adult day program	860,985			860,985
Advertising and promotion	10,077	39,331		49,408
Depreciation	898,078	115,542	611	1,014,231
Dietary cost	687,749			687,749
Professional fund raising			75,037	75,037
Government mandated fees	1,492,689		2,478	1,495,167
Insurance	95,842	76,638	757	173,237
Information technology	120,655	110,052	4,116	234,823
Professional fees	39,960	70,930		110,890
Lease and rent	227,964	4,800		232,764
Maintenance and repair	556,286	13,207		569,493
Medical and habilitation supplies and equipment	380,604			380,604
Contracted medical and therapy services	481,409			481,409
Interest	96,911	2,026		98,937
Office expenses	273,134	126,632	16,074	415,840
Other expenses	260,208	27,673	2,815	290,696
Staff development, conferences, dues	89,621	5,425	647	95,693
Supplies	235,956	23,529		259,485
Travel	299,201	21,444	0	320,645
Utilities	621,467	22,992		644,459
Total functional expenses	<u>\$ 24,474,400</u>	<u>\$ 1,956,547</u>	<u>\$ 183,978</u>	<u>\$ 26,614,925</u>

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2017

	Echoing Hills Village	Echoing Hills Village Foundation	Eliminating Entries	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 926,966	\$ 210,032	\$ 0	\$ 1,136,998
Accounts receivable	2,721,362	15,199		2,736,561
Unconditional promises to give	9,566			9,566
Resident funds	591,183			591,183
Prepaid expenses and other current assets	316,068	1,132		317,200
Total current assets	4,565,145	226,363	0	4,791,508
Investments		4,058,647		4,058,647
Property and equipment - net	9,426,570	0	0	9,426,570
Interest in net assets of charitable foundation	8,936,113	0	(8,936,113)	0
Assets held for sale - net	120,141	0	0	120,141
Other assets				
Deposits	9,560	48		9,608
Cash surrender value life insurance		190,963		190,963
Unconditional promises to give - net of current portion	1,631,050	4,503,300		6,134,350
Life insurance premium receivable	143,501			143,501
Total other assets	1,784,111	4,694,311	0	6,478,422
Total assets	\$ 24,832,080	\$ 8,979,321	\$ (8,936,113)	\$ 24,875,288
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 1,302,628	\$ 13,439	\$ 0	\$ 1,316,067
Resident funds payable	591,183			591,183
Line of credit	563,500			563,500
Current portion of long-term debt	232,572			232,572
Current portion of capital lease obligation	19,508			19,508
Current portion of charitable gift annuity payable	4,432	6,179		10,611
Accrued payroll and related	2,030,181			2,030,181
Total current liabilities	4,744,004	19,618	0	4,763,622
Long-term debt - net of current portion	2,563,595	0	0	2,563,595
Charitable gift annuity payable - net of current portion	8,347	23,590	0	31,937
Capital lease obligation - net of current portion	89,927	0	0	89,927
Total liabilities	7,405,873	43,208	0	7,449,081
Net assets				
Unrestricted	6,775,468	408,300	(408,300)	6,775,468
Temporarily restricted	2,197,825	74,899	(74,899)	2,197,825
Permanently restricted	8,452,914	8,452,914	(8,452,914)	8,452,914
Total net assets	17,426,207	8,936,113	(8,936,113)	17,426,207
Total liabilities and net assets	\$ 24,832,080	\$ 8,979,321	\$ (8,936,113)	\$ 24,875,288

**ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2016**

ASSETS	Echoing Hills Village	Echoing Hills Village Foundation	Eliminating Entries	Total
Current assets				
Cash and cash equivalents	\$ 1,006,520	\$ 45,439	\$ 0	\$ 1,051,959
Accounts receivable	2,367,732	2,287		2,370,019
Unconditional promises to give	11,869			11,869
Resident funds	592,329			592,329
Prepaid expenses and other current assets	273,681	1,222		274,903
Total current assets	4,252,131	48,948	0	4,301,079
Investments		4,052,717		4,052,717
Property and equipment - net	8,481,827	0	0	8,481,827
Interest in net assets of charitable foundation	8,258,863	0	(8,258,863)	0
Assets held for sale - net	152,079	0	0	152,079
Other assets				
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	4,196,745	0	5,794,676
Total assets	<u>\$ 22,742,831</u>	<u>\$ 8,298,410</u>	<u>\$ (8,258,863)</u>	<u>\$ 22,782,378</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 1,238,384	\$ 5,281	\$ 0	\$ 1,243,665
Resident funds payable	592,329			592,329
Line of credit				0
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 payroll and related	1,636,887			1,636,887
Total current liabilities	3,684,751	10,442	0	3,695,193
Long-term debt - net of current portion	1,717,368	0	0	1,717,368
Charitable gift annuity payable - net of current portion	12,082	29,105		41,187
Capital lease obligation - net of current portion	0	0	0	0
Total liabilities	5,414,201	39,547	0	5,453,748
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	<u>\$ 22,742,831</u>	<u>\$ 8,298,410</u>	<u>\$ (8,258,863)</u>	<u>\$ 22,782,378</u>

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2017

	Echoing Hills Village			Echoing Hills Village Total	Echoing Hills Village Foundation			Echoing Hills Village Foundation Total	Eliminating Entries	Totals
	Unrestricted	Temporarily	Permanently		Unrestricted	Temporarily	Permanently			
Operating revenues										
Net service revenue	\$ 26,354,628	\$ 0	\$ 0	\$ 26,354,628	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,354,628
Net realized and unrealized losses on investment					429,579	0	0	429,579	0	429,579
Other operating revenue	179,163			179,163						179,163
Net assets released from restrictions	181,890	(181,890)								0
Total operating revenues	26,715,681	(181,890)	0	26,533,791	429,579	0	0	429,579	0	26,963,370
Operating expenses										
Program expenses	25,609,269			25,609,269	341,985			341,985	(266,000)	25,685,254
General and administrative expense	2,088,733			2,088,733	2,989			2,989		2,091,722
Fundraising expenses	226,468			226,468	0			0		226,468
Total operating expenses	27,924,470	0	0	27,924,470	344,974	0	0	344,974	(266,000)	28,003,444
Operating income (loss)	(1,208,789)	(181,890)	0	(1,390,679)	84,605	0	0	84,605	266,000	(1,040,074)
Other income										
Interest and dividend income	344			344	123,903			123,903		124,247
Contributions	341,292	286,945		628,237	3,392		500	3,892	(266,000)	366,129
Change in value of split-interest agreement		182,425		182,425			464,850	464,850		647,275
Change in interest in supporting foundation	211,900		465,350	677,250					(677,250)	0
Total other income	553,536	469,370	465,350	1,488,256	127,295	0	465,350	592,645	(943,250)	1,137,651
Change in net assets	(655,253)	287,480	465,350	97,577	211,900	0	465,350	677,250	(677,250)	97,577
Net assets - beginning of year	7,430,721	1,910,345	7,987,564	17,328,630	196,400	74,899	7,987,564	8,258,863	(8,258,863)	17,328,630
Net assets - end of year	\$ 6,775,468	\$ 2,197,825	\$ 8,452,914	\$ 17,426,207	\$ 408,300	\$ 74,899	\$ 8,452,914	\$ 8,936,113	\$ (8,936,113)	\$ 17,426,207

ECHOING HILLS VILLAGE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

	Echoing Hills Village			Echoing Hills Village Total	Echoing Hills Village Foundation			Echoing Hills Village Foundation Total	Eliminating Entries	Totals
	Unrestricted	Temporarily	Permanently		Unrestricted	Temporarily	Permanently			
Operating revenues										
Net service revenue	\$ 26,007,767	\$ 0	\$ 0	\$ 26,007,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,007,767
Net realized and unrealized gains on investments					219,956			219,956		219,956
Other operating revenue	152,274			152,274						152,274
Net assets released from restrictions	394,139	(394,139)								0
Total operating revenues	26,554,180	(394,139)	0	26,160,041	219,956	0	0	219,956	0	26,379,997
Operating expenses										
Program expenses	24,392,030			24,392,030	298,370			298,370	(216,000)	24,474,400
General and administrative expenses	1,953,007			1,953,007	3,540			3,540		1,956,547
Fundraising expenses	183,978			183,978	0			0		183,978
Total operating expenses	26,529,015	0	0	26,529,015	301,910	0	0	301,910	(216,000)	26,614,925
Operating income (loss)	25,165	(394,139)	0	(368,974)	(81,954)	0	0	(81,954)	216,000	(234,928)
Other income										
Interest and dividend income	496			496	94,304			94,304		94,800
Contributions	329,981	518,309		848,290	3,628		545	4,173	(216,000)	636,463
Change in value of split-interest agreements		82,825		82,825			194,850	194,850		277,675
Change in interest in supporting foundation	15,978		195,395	211,373					(211,373)	0
Total other income	346,455	601,134	195,395	1,142,984	97,932	0	195,395	293,327	(427,373)	1,008,938
Change in net assets	371,620	206,995	195,395	774,010	15,978	0	195,395	211,373	(211,373)	774,010
Net assets - beginning of year	7,059,101	1,703,350	7,792,169	16,554,620	180,422	74,899	7,792,169	8,047,490	(8,047,490)	16,554,620
Net assets - end of year	\$ 7,430,721	\$ 1,910,345	\$ 7,987,564	\$ 17,328,630	\$ 196,400	\$ 74,899	\$ 7,987,564	\$ 8,258,863	\$ (8,258,863)	\$ 17,328,630