

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Plan Administrator
Lydia Home Association
401(k) Retirement Plan & Trust

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Lydia Home Association 401(k) Retirement Plan & Trust (the Plan), which comprise the statements of net assets available for benefits as of June 30, 2016 and 2015, and the related statement of changes in net assets available for benefits for the year ended June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these 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 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 financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note C, which was certified by Charles Schwab Bank, the custodian of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of and for the years ended June 30, 2016 and 2015, that the information provided to the plan administrator by the custodian is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year), which is the responsibility of plan management, is presented for the purpose of additional analysis and is not a required part of the financial statements but is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedule referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Gail L. Mathews & Associates LLC

Glen Ellyn, Illinois
February 3, 2017

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
June 30, 2016 and 2015

| Assets | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Investments, at fair value—shares of registered investment companies | \$ 637,432 | \$ 642,740 |
| Notes receivable from participants | <u>14,790</u> | <u>17,470</u> |
| Net assets available for plan benefits | <u>\$ 652,222</u> | <u>\$ 660,210</u> |

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

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended June 30, 2016

Net additions to net assets attributed to:

Investment and interest income (loss):

Dividend and interest income \$ 34,805

Net depreciation in fair value of investments (58,351)

Net investment income (loss) (23,546)

Interest income on notes receivable from participants 533

Contributions - employees 80,008

Contributions - rollovers 5,121

Total net additions 62,116

Deductions from net assets attributed to:

Benefits paid to participants 67,573

Administration expense 2,531

Total deductions 70,104

Net decrease in net assets available for plan benefits (7,988)

Net assets available for plan benefits:

Beginning of year 660,210

End of year \$ 652,222

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

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE A: DESCRIPTION OF PLAN

The following description of the Lydia Home Association 401(K) Retirement Plan & Trust ("Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

- 1) General The Plan is a defined contribution plan covering substantially all employees of Lydia Home Association (the Association). Employees are eligible to participate in the Plan upon attaining the age of 21. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan Administrator is the Association which appoints custodians to administer the Plan.
- 2) Contributions Employees may contribute a percentage of their compensation, the maximum of which is set by law. The limit is \$18,000 for calendar years 2016 and 2015. Employer discretionary matching contributions are equal to a uniform percentage of the employee's salary deferral not to exceed a certain dollar amount or a certain percentage.
- 3) Participant Accounts Each participant's account is credited with the participant's contribution and an allocation of the employer's matching contribution, if any, and Plan earnings. Forfeitures of terminated participants' non vested accounts reduce current or future Association matching contributions. Allocations are based on participant earnings or account balances, as defined. The Plan currently offers ten mutual funds as investment options for participants. The participant may select one or more of the ten mutual funds in which to invest employee contributions and employer matching contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
- 4) Vesting The participant's contribution plus any rollover amounts from another plan and earnings thereon are fully vested. Employer contributions and earnings thereon in a participant's account become vested after completion of three years of service or upon death, disability or normal retirement.
- 5) Notes Receivable from Participants Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. The notes receivable bear interest at rates which are commensurate with local prevailing rates as determined by the Plan administrator. Notes receivable are considered a directed investment of participants' accounts under the Plan. All payments of principal and interest by participants on a note are credited to the participant's account. Principal and interest is paid ratably through monthly payroll deductions. Failure to make payments when due under

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE A: DESCRIPTION OF PLAN (Continued)

terms of the note will be considered to be an event of default. The Plan would then have the authority to take all reasonable action to collect the balance owed. This could include foreclosing on the security for the note. Under certain circumstances, a note in default may be considered a distribution from the plan.

6) Payment of Benefits On termination of service due to death, disability, or retirement, a participant may elect to receive a distribution of their vested account balance in either a lump sum amount or installments over a period of not more than assumed life expectancy of the participant (or the assumed life expectancy of the participant's beneficiary) if the value of the participant's vested interest in the account is greater than \$5,000. For the termination of services for other reasons, a participant may elect to receive the value of the vested interest in his or her account as a lump sum distribution. If the vested interest is less than \$5,000, the account balance may only be distributed in a lump sum.

7) Administration of Plan Assets The Plan's assets are held in the trust fund (Trust) of the Plan. Association contributions are held and managed by the Trust, which invests cash received, interest, and dividend income and makes distributions to participants. Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan.

NOTE B: SUMMARY OF ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Plan:

- 1) Basis of Accounting The financial statements are prepared on the accrual basis of accounting.
- 2) Investment Valuation and Income Recognition Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note E for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

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401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF ACCOUNTING POLICIES (Continued)

- 3) Notes Receivable from Participants Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant notes are reclassified as distributions based upon the terms of the plan document.
- 4) Payment of Benefits Benefits are recorded when paid.
- 5) Operating Expenses All expenses of maintaining the plan are paid by the Association.
- 6) Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE C: INFORMATION CERTIFIED BY THE PLAN'S CUSTODIAN

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Charles Schwab Bank, the custodian of the plan, has certified to the completeness and accuracy of all investments reflected on the accompanying statements of net assets available for benefits as of June 30, 2016 and 2015, Note D, the supplemental Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of June 30, 2016 and the related investment activity reflected in the statement of changes in net assets available for benefits for the year ended June 30, 2016.

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE D: INVESTMENTS

The following presents the Plan's shares of registered investment companies at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------------|-------------------|
| Alger Capital Appreciation | \$ 22,573 | \$ 28,936 |
| Dreyfus Bond Market Index | 19,097 | 16,622 |
| Oakmark Equity Income | 482,627 | 500,608 |
| Dreyfus Midcap Index | 8,012 | 8,979 |
| Pimco Total Return | 17,415 | 16,380 |
| Schwab Intl Index | 3,559 | 3,032 |
| Schwab Retirement Adv Money | 16,630 | 12,926 |
| Schwab S&P 500 Index | 31,586 | 23,366 |
| Schwab Small-Cap Index Select | 6,995 | 4,842 |
| Green Owl Intrinsic Value | 2,555 | 3,951 |
| Oakmark International | 1,692 | 1,948 |
| Oakmark Fund | 18,452 | 17,660 |
| Principal Midcap | 5,190 | 2,984 |
| Victory Small Cap Value | <u>1,049</u> | <u>506</u> |
| Total | <u>\$ 637,432</u> | <u>\$ 642,740</u> |

The following presents the registered investment companies loss for the year ended June 30, 2016:

| | |
|---|--------------------|
| Net depreciation in fair value of investments | \$ (58,351) |
| Interest and dividend income | <u>34,805</u> |
| | <u>\$ (23,546)</u> |

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE D: INVESTMENTS (Continued)

During the year ended June 30, 2016, the Plan's registered investment companies (including gains and losses on shares bought and sold, as well as held during the year) depreciated in value by \$58,351 as follows:

| | |
|-------------------------------|--------------------|
| Alger Capital Appreciation | \$ (2,947) |
| Dreyfus Bond Market Index | 492 |
| Oakmark Equity Income | (52,476) |
| Dreyfus Mid Cap Index | (808) |
| Pimco Total Return | (434) |
| Schwab Intl Index Select | (387) |
| Schwab S&P 500 Index | 385 |
| Schwab Small-Cap Index Select | (583) |
| Green Owl Intrinsic Value | (366) |
| Oakmark Fund | (742) |
| Victory Small Cap Value | (32) |
| Oakmark International | (389) |
| Principal Midcap | (64) |
| Total | <u>\$ (58,351)</u> |

NOTE E: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include
 - quoted prices for similar assets or liabilities in active markets;

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NOTES TO FINANCIAL STATEMENTS

NOTE E: FAIR VALUE MEASUREMENTS (Continued)

- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

| | |
|----------------------------------|--|
| Registered investment companies: | Valued at the daily closing price as reported by the fund. The registered investment company funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded. |
|----------------------------------|--|

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE E: FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2016 and 2015:

| Assets at Fair Value as of June 30, 2016 | | | | |
|--|-------------------|----------|----------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Registered investment companies | <u>\$ 637,432</u> | <u>—</u> | <u>—</u> | <u>\$ 637,432</u> |
| Assets at Fair Value as of June 30, 2015 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Registered investment companies | <u>\$ 642,740</u> | <u>—</u> | <u>—</u> | <u>\$ 642,740</u> |

NOTE F: PLAN TERMINATION

Although the Association intends the Plan to be permanent, the Association reserves the right to terminate the Plan. Upon termination of the Plan, in whole or in part, all affected participants are fully vested in their accounts and shall be entitled to a distribution of their respective account balances.

NOTE G: TAX STATUS

The Internal Revenue Service has determined by a letter dated March 31, 2008, that the prototype Plan and related trust adopted by the Association are designed in accordance with applicable sections of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the federal or state tax authorities. The plan administrator has analyzed the tax positions taken by the plan, and has concluded that as of June 30, 2016 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The tax periods ending June 30, 2014, 2015 and 2016 are open to audit.

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE H: RISKS AND UNCERTAINTIES

The Plan 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 participants' account balances and the amounts reported in the statement of net assets available for benefits.

NOTE I: SUBSEQUENT EVENT

Subsequent events have been evaluated for recognition in the June 30, 2016 financial statements through February 3, 2017, the date on which the financial statements were available to be issued.

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST

SUPPLEMENTAL INFORMATION

June 30, 2016

LYDIA HOME ASSOCIATION
401(K) RETIREMENT PLAN & TRUST
PLAN SPONSOR FEIN 36-1412810 Plan 002

SCHEDULE H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)
June 30, 2016

| (a) | (b) | (c) | (d) | (e) |
|-----|---------------------------------|----------------------------------|-------------------|----------------------|
| | <u>Identity of Issue</u> | <u>Description of Investment</u> | <u>Cost</u> | <u>Current Value</u> |
| | Registered Investment Companies | | | |
| | Alger | Capital Appreciation | \$ 20,373 | \$ 22,573 |
| | Dreyfus | Bond Market Index | 18,795 | 19,097 |
| | Oakmark | Equity Income | 478,930 | 482,627 |
| | Dreyfus | Midcap Index | 7,653 | 8,012 |
| | Pimco | Total Return | 18,024 | 17,415 |
| | Green Owl | Intrinsic Value | 2,703 | 2,555 |
| | Oakmark | International | 1,959 | 1,692 |
| | Oakmark | Oakmark Fund | 20,034 | 18,452 |
| | Principal | Midcap | 5,016 | 5,190 |
| | Victory | Small Cap Value | 1,064 | 1,049 |
| * | Schwab | Intl Index | 3,706 | 3,559 |
| * | Schwab | Retirement Adv Money | 16,630 | 16,630 |
| * | Schwab | S&P 500 Index | 26,487 | 31,586 |
| * | Schwab | Small-Cap Index Select | 6,970 | 6,995 |
| | Participant loans | 3.25% - 4.50% | <u>14,790</u> | <u>14,790</u> |
| | Total | | <u>\$ 643,134</u> | <u>\$ 652,222</u> |

* Party-in-interest

The accompanying notes and auditor's report are an integral part of this financial statement.