THE ENRICHMENT CENTER -
AN AFFILIATED CHAPTER OF THE ARC

Financial Statements

June 30, 2015 and 2014

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BUTLER BURKE LLP

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
The Enrichment Center - An Affiliated Chapter of the ARC
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of The Enrichment Center – An Affiliated Chapter of the ARC (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Enrichment Center – An Affiliated Chapter of the ARC as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Butler & Burke, LLP

Winston-Salem, North Carolina
October 22, 2015

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 1,225,207	$ 1,340,767
Restricted cash	1,000	-
Grants and contributions receivable	138,535	267,072
Accounts receivable, net	270,884	198,193
Other receivables	3,366	8,026
Prepaid expenses	74,927	60,210
Property and equipment, net	2,288,229	2,406,182
Beneficial interests in assets held by others	308,699	289,834
TOTAL ASSETS	$ 4,310,847	$ 4,570,284
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 201,964	$ 160,566
Other liabilities	28,181	27,127
Total Liabilities	230,145	187,693
Net Assets		
Unrestricted		
Undesignated	1,258,201	1,333,117
Designated for property and equipment	2,288,229	2,406,182
Board designated for endowment	86,014	86,014
	3,632,444	3,825,313
Temporarily restricted	321,783	431,803
Permanently restricted	126,475	125,475
Total Net Assets	4,080,702	4,382,591
TOTAL LIABILITIES AND NET ASSETS	$ 4,310,847	$ 4,570,284

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Public Support				
United Way contributions	$ -	$ 133,535	$ -	$ 133,535
Other contributions	94,202	10,316	1,000	105,518
Grants	10,878	35,000	-	45,878
Total Public Support	105,080	178,851	1,000	284,931
Revenue				
Program fees	2,576,488	-	-	2,576,488
Craft sales	18,863	-	-	18,863
Investment income, net	(523)	(1,755)	-	(2,278)
Special event, net	-	2,271	-	2,271
Unrealized gains on beneficial interest	8,853	12,966	-	21,819
Other	10,283	1,319	-	11,602
Total Revenue	2,613,964	14,801	-	2,628,765
Net Assets Released From Restrictions	303,672	(303,672)	-	-
Total Support and Revenue	3,022,716	(110,020)	1,000	2,913,696
Expenses				
Program services	2,636,556	-	-	2,636,556
Management and general	498,861	-	-	498,861
Fundraising	80,168	-	-	80,168
Total Expenses	3,215,585	-	-	3,215,585
Change in Net Assets	(192,869)	(110,020)	1,000	(301,889)
Net Assets at Beginning of Year	3,825,313	431,803	125,475	4,382,591
Net Assets at End of Year	$ 3,632,444	$ 321,783	$ 126,475	$ 4,080,702

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Public Support				
United Way contributions	$ -	$ 267,072	$ -	$ 267,072
Other contributions	73,732	76,732	1,000	151,464
Grants	12,000	1,400	-	13,400
Total Public Support	85,732	345,204	1,000	431,936
Revenue				
Program fees	2,526,644	-	-	2,526,644
Craft sales	13,799	-	-	13,799
Investment income, net	11	(1,337)	-	(1,326)
Special event, net	26,959	-	-	26,959
Unrealized gains on beneficial interest	14,715	24,357	-	39,072
Other	2,687	-	-	2,687
Total Revenue	2,584,815	23,020	-	2,607,835
Net Assets Released From Restrictions	456,560	(456,560)	-	-
Total Support and Revenue	3,127,107	(88,336)	1,000	3,039,771
Expenses				
Program services	2,384,564	-	-	2,384,564
Management and general	439,565	-	-	439,565
Fundraising	55,240	-	-	55,240
Total Expenses	2,879,369	-	-	2,879,369
Change in Net Assets	247,738	(88,336)	1,000	160,402
Net Assets at Beginning of Year	3,577,575	520,139	124,475	4,222,189
Net Assets at End of Year	$ 3,825,313	$ 431,803	$ 125,475	$ 4,382,591

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,718,687	$ 305,674	$ 43,027	$ 2,067,388
Employee benefits	318,290	33,939	6,873	359,102
Payroll taxes	147,472	25,008	3,510	175,990
Total Salaries and Related Expenses	2,184,449	364,621	53,410	2,602,480
Professional fees	65,825	45,674	4,606	116,105
Office expense	3,855	12,240	3,730	19,825
Supplies	40,755	8,977	-	49,732
Telephone	20,836	4,271	560	25,667
Postage	2,083	1,016	1,270	4,369
Occupancy	32,906	2,645	226	35,777
Equipment rental	3,811	920	128	4,859
Advertising	522	-	11,275	11,797
Equipment repairs	17,331	9,659	118	27,108
Travel	47,904	1,186	333	49,423
Training and seminars	19,232	4,258	2,122	25,612
Dues and subscriptions	2,723	10,518	275	13,516
Insurance	42,727	10,716	171	53,614
Miscellaneous	8,482	10,670	612	19,764
Total Expenses Before Depreciation	2,493,441	487,371	78,836	3,059,648
Depreciation	143,115	11,490	1,332	155,937
TOTAL EXPENSES	$ 2,636,556	$ 498,861	$ 80,168	$ 3,215,585

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,539,991	$ 272,182	$ 34,878	$ 1,847,051
Employee benefits	229,997	25,718	3,766	259,481
Payroll taxes	136,251	22,522	3,245	162,018
Total Salaries and Related Expenses	1,906,239	320,422	41,889	2,268,550
Professional fees	79,751	35,776	3,853	119,380
Office expense	6,550	8,987	3,349	18,886
Supplies	47,263	7,922	-	55,185
Telephone	11,594	2,141	250	13,985
Postage	11,025	1,578	1,102	13,705
Occupancy	30,382	4,616	339	35,337
Equipment rental	4,002	806	141	4,949
Advertising	783	-	150	933
Equipment repairs	17,147	9,250	148	26,545
Travel	50,509	1,311	251	52,071
Training and seminars	13,335	2,073	1,198	16,606
Dues and subscriptions	1,969	10,196	524	12,689
Insurance	33,897	12,900	182	46,979
Miscellaneous	34,283	7,342	257	41,882
Total Expenses Before Depreciation	2,248,729	425,320	53,633	2,727,682
Depreciation	135,835	14,245	1,607	151,687
TOTAL EXPENSES	$ 2,384,564	$ 439,565	$ 55,240	$ 2,879,369

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	$ (301,889)	$ 160,402
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	155,937	151,687
Unrealized gains on beneficial interest	(21,819)	(39,072)
Bad debt expense	2,928	8,648
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	128,537	100,760
Accounts receivable	(75,619)	(72,410)
Other receivables	4,660	(4,929)
Prepaid expenses	(14,717)	(18,870)
Increase (decrease) in:		
Accounts payable and accrued expenses	41,398	(1,641)
Other liabilities	1,054	(5,231)
Contributions restricted for long-term purposes	(1,000)	(1,000)
Net Cash Provided by (Used in) Operating Activities	(80,530)	278,344
INVESTING ACTIVITIES		
Change in restricted cash	(1,000)	-
Capital expenditures	(37,984)	(267,142)
Beneficial interest additions, net	2,954	(18,855)
Net Cash Used in Investing Activities	(36,030)	(285,997)
FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	1,000	1,000
Net Cash Provided by Financing Activities	1,000	1,000
Decrease in Cash and Cash Equivalents	(115,560)	(6,653)
Cash and Cash Equivalents at Beginning of Year	1,340,767	1,347,420
Cash and Cash Equivalents at End of Year	$ 1,225,207	$ 1,340,767

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

The Enrichment Center - An Affiliated Chapter of the ARC (the "Center") is a non-profit organization organized under the laws of the state of North Carolina. It is located in Winston-Salem, North Carolina and offers training for mentally disabled adults in independent living and in development of special skills. The Center offers relief, support and education to parents and other family members of the intellectually and developmentally disabled and increases public awareness of the needs, as well as the potential, of intellectually and developmentally disabled adults.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Basis of Presentation

The Center presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

> **Unrestricted net assets – net assets that are not restricted by donors or for which donor-imposed restrictions have expired.**
>
> **Temporarily restricted net assets – net assets that contain donor-imposed time or purpose restrictions that have not currently been met.**
>
> **Permanently restricted net assets – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity. The Center may expend part or all of the income earned according to donor stipulations.**

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions upon which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. The Center reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than six months. These accounts at times may exceed federally insured limits. The Center has not experienced any losses on these accounts and management does not believe it is exposed to any significant credit risk. Restricted cash consists of donor-restricted contributions received for placement in an endowment fund.

Allowance for Uncollectible Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for uncollectible receivables was $5,762 and $2,834 as of June 30, 2015 and 2014, respectively.

Property and Equipment

Property and equipment are stated at cost, or at estimated fair value if donated. Depreciation is provided on a straight-line method over the estimated useful lives of the assets, generally from three to forty years.

Beneficial Interests in Assets Held by Others (Endowment Fund)

The Center has established a trust arrangement with the Winston-Salem Foundation (the "Foundation"), the purpose of which is to provide a permanent endowment to support the future needs of the Center. Donor contributions and monies designated by the Board have been irrevocably transferred to the Foundation, who will invest the funds and make quarterly earnings distributions, to the Center or an accumulated income fund within the endowment, in an amount determined by the Foundation. The Center has granted the Foundation variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. In accordance with GAAP, this endowment has been recognized as a beneficial interest in assets held by others in the accompanying statements of financial position at the current market value of the underlying investments held by the Foundation, which amounted to $308,699 and $289,834 for the years ended June 30, 2015 and 2014, respectively.

The Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts 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 Center 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 Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) other resources of the Center. UPMIFA does not apply to board designated endowment funds, and accordingly the portion of the endowment attributed to board designation is reflected as unrestricted net assets.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Assets Held by Others (Endowment Fund) (Continued)

Funds with Deficiencies. **From time to time, the fair value of the assets associated with the donor restricted endowment fund may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are first offset by any accumulated temporarily restricted net assets from the fund, with any remaining deficiency offsetting unrestricted net assets. There were no endowment fund deficiencies at June 30, 2015 or 2014.**

Investment Return Objectives, Risk Parameters and Strategies. **Based on the nature of the endowment, the investment of the fund is determined by the Foundation rather than the Center. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to provide the Center income while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed by the Foundation.**

Spending Policy. **The Foundation makes quarterly distributions to the Center or an accumulated income fund within the endowment. Distribution amounts are determined by Foundation policy. The decision to take the distribution or accumulate in the income fund within the endowment is determined by the Center's management consistent with the previously discussed standards of prudence prescribed by UPMIFA. Amounts distributed by the fund can be used by the Center for operating purposes, however, consistent with UPMIFA and GAAP, the Center reflects all investment income and changes in value of the donor restricted portion of the funds as temporarily restricted net assets until appropriated for expenditure by the Board of Directors (unless there is a fund deficiency as discussed above). All investment income and change in value of the board designated portion of the fund are reflected as unrestricted net assets.**

Fair Value Measurements

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. See Note I for assets of the Center measured at fair value on a recurring basis.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses are allocated to program and supporting services by management on the basis of periodic time and expense estimates. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Center.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Subsequent Events

The Center has evaluated its subsequent events (events occurring after June 30, 2015) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Tax-Exempt Status

The Center is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Center's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Center has no uncertain tax positions that would be subject to change upon examination.

The Center is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Center is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds $1,000. The Center's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE C: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (ENDOWMENT FUND)

Endowment net assets composition by type as of June 30, 2015 and 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2015				
Restricted cash	$ -	$ -	$ 1,000	$ 1,000
Donor-restricted endowment	-	64,278	125,475	189,753
Board designated endowment	118,946	-	-	118,946
	$ 118,946	$ 64,278	$ 126,475	$ 309,699
2014				
Donor-restricted endowment	$ -	$ 53,067	$ 125,475	$ 178,542
Board designated endowment	111,292	-	-	111,292
	$ 111,292	$ 53,067	$ 125,475	$ 289,834

Changes in endowment net assets during the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2015				
Endowment net assets, beginning of year	$ 111,292	$ 53,067	$ 125,475	$ 289,834
Contributions	-	-	1,000	1,000
Interest and dividend income, net	(1,199)	(1,755)	-	(2,954)
Unrealized gains	8,853	12,966	-	21,819
Endowment net assets, end of year	$ 118,946	$ 64,278	$ 126,475	$ 309,699
2014				
Endowment net assets, beginning of year	$ 77,385	$ 30,047	$ 124,475	$ 231,907
Endowment deposits	20,000	-	1,000	21,000
Interest and dividend income, net	(808)	(1,337)	-	(2,145)
Unrealized gains	14,715	24,357	-	39,072
Endowment net assets, end of year	$ 111,292	$ 53,067	$ 125,475	$ 289,834

NOTE D: PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2015 and 2014 is as follows:

	2015	2014
Land	$ 82,438	$ 82,438
Building	3,125,553	3,125,553
Furniture and equipment	534,969	506,364
	3,742,960	3,714,355
Less accumulated depreciation	(1,454,731)	(1,308,173)
	$ 2,288,229	$ 2,406,182

Depreciation expense for the years ended June 30, 2015 and 2014 was $155,937 and $151,687, respectively.

NOTE E: LINE OF CREDIT

The Center has a $250,000 line of credit agreement with a bank, bearing interest on outstanding borrowings at the bank's prime rate minus 0.75% (not less than 4.00%), to be paid monthly, with maturity in June, 2017. The agreement is subject to annual renewals. There was no outstanding balance on the line of credit at June 30, 2015 or 2014.

NOTE F: LEASES

The Center leases various office equipment under operating leases expiring through March, 2017. Future minimum payments under noncancellable leases with initial or remaining terms of one year or more are as follows:

Year ended June 30,	
2016	$ 4,778
2017	1,897
	$ 6,675

Lease expense under all operating leases for the years ended June 30, 2015 and 2014 was $8,087 and $5,957, respectively.

NOTE G: RETIREMENT PLAN

The Center has a 403(b) retirement plan (the Plan) for its employees. For the years ended June 30, 2015 and 2014, the Center contributed 5% of an eligible employee's pay into the Plan. Retirement plan contributions for the years ended June 30, 2015 and 2014 were $36,597 and $26,635, respectively.

NOTE H: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2015 and 2014:

	2015	2014
Purpose restricted:		
My Turn program	$ 67,476	$ 67,476
Capital purchases	5,509	1,584
Sculpture Garden Stones	5,174	5,467
Parents Friends Organization	4,843	4,405
Visual art	2,228	2,900
Other	38,740	29,832
Time restricted:		
Unappropriated endowment earnings	64,278	53,067
United Way - unconditional promise to give	133,535	267,072
	$ 321,783	$ 431,803

Permanently restricted net assets consist of beneficial interests in an endowment fund held by the Winston-Salem Foundation and restricted cash. The income from the endowment can be used to support the Center's operations, but is temporarily restricted until appropriated for expenditure.

NOTE I: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 **Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.**

Level 2 **Inputs to the valuation methodology include:**

- **Quoted prices for similar assets or liabilities in active markets;**
- **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's 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. The following is a description of the valuation methodologies used by the Center for assets measured at fair value:

- ***Beneficial Interest In Assets Held By Others:*** **Equities and fixed income funds within the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, the Center has irrevocably assigned the monies to the Foundation and is only able redeem accumulated income that the Foundation has transferred to the grantable funds account within the endowment. Therefore, the Center considers the measurement of its beneficial interest in assets held by others to be a Level 3 measurement within the fair value hierarchy.**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes the Foundation’s 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.

NOTE I: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Center's assets measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	Level 1	Level 2	Level 3	Total
2015				
Beneficial interest in assets held by others	$ -	$ -	$ 308,699	$ 308,699
Total assets at fair value	$ -	$ -	$ 308,699	$ 308,699
2014				
Beneficial interest in assets held by others	$ -	$ -	$ 289,834	$ 289,834
Total assets at fair value	$ -	$ -	$ 289,834	$ 289,834

The table below sets forth a summary of changes in the fair value of the Center's level 3 assets for the years ended June 30, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 289,834	$ 231,907
Purchases	-	21,000
Interest and dividends, net	(2,954)	(2,145)
Unrealized gains	21,819	39,072
Balance, end of year	$ 308,699	$ 289,834