THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC

Financial Statements

June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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
September 20, 2018

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,424,433	$ 1,511,730
Contributions receivable	-	12,000
Accounts receivable	315,875	368,658
Other receivables	17,908	6,377
Prepaid expenses	61,787	65,654
Property and equipment, net	1,970,576	2,082,371
Investments	247,535	-
Beneficial interests in assets held by others	357,123	334,413
TOTAL ASSETS	$ 4,395,237	$ 4,381,203
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 123,889	$ 121,007
Other liabilities	23,316	26,922
Total Liabilities	147,205	147,929
Net Assets		
Unrestricted		
Undesignated	1,764,172	1,700,452
Designated for property and equipment	1,970,576	2,082,371
Board designated for endowment	136,846	127,833
	3,871,594	3,910,656
Temporarily restricted	247,288	193,643
Permanently restricted	129,150	128,975
Total Net Assets	4,248,032	4,233,274
TOTAL LIABILITIES AND NET ASSETS	$ 4,395,237	$ 4,381,203

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Public Support				
United Way contributions	$ 188,932	$ -	$ -	$ 188,932
Other contributions	266,665	2,300	175	269,140
Grants	11,427	103,983	-	115,410
Total Public Support	467,024	106,283	175	573,482
Revenue				
Program fees	2,665,087	-	-	2,665,087
Craft sales	30,270	-	-	30,270
Investment income, net	2,699	(2,043)	-	656
Unrealized gains on beneficial interest	10,374	15,565	-	25,939
Unrealized losses on investments	(3,382)	-	-	(3,382)
Loss on disposal of property and equipment	(763)	-	-	(763)
Other	6,579	-	-	6,579
Total Revenue	2,710,864	13,522	-	2,724,386
Net Assets Released From Restrictions	66,160	(66,160)	-	-
Total Support and Revenue	3,244,048	53,645	-	3,297,868
Expenses				
Program services	2,614,748	-	-	2,614,748
Management and general	507,773	-	-	507,773
Fundraising	160,589	-	-	160,589
Total Expenses	3,283,110	-	-	3,283,110
Change in Net Assets	(39,062)	53,645	175	14,758
Net Assets at Beginning of Year	3,910,656	193,643	128,975	4,233,274
Net Assets at End of Year	$ 3,871,594	$ 247,288	$ 129,150	$ 4,248,032

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Public Support				
United Way contributions	$ 227,475	$ -	$ -	$ 227,475
Other contributions	122,982	16,379	1,000	140,361
Grants	12,000	-	-	12,000
Total Public Support	362,457	16,379	1,000	379,836
Revenue				
Program fees	2,813,265	-	-	2,813,265
Craft sales	18,494	-	-	18,494
Investment income, net	85	(1,874)	-	(1,789)
Unrealized gains on beneficial interest	13,594	20,307	-	33,901
Special event, net	3,438	-	-	3,438
Other	4,912	-	-	4,912
Total Revenue	2,853,788	18,433	-	2,872,221
Net Assets Released From Restrictions	5,606	(5,606)	-	-
Total Support and Revenue	3,221,851	29,206	1,000	3,252,057
Expenses				
Program services	2,487,006	-	-	2,487,006
Management and general	522,452	-	-	522,452
Fundraising	113,199	-	-	113,199
Total Expenses	3,122,657	-	-	3,122,657
Change in Net Assets	99,194	29,206	1,000	129,400
Net Assets at Beginning of Year	3,811,462	164,437	127,975	4,103,874
Net Assets at End of Year	$ 3,910,656	$ 193,643	$ 128,975	$ 4,233,274

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,711,620	$ 306,794	$ 111,414	$ 2,129,828
Employee benefits	277,617	35,559	13,642	326,818
Payroll taxes	126,794	22,697	8,209	157,700
Total Salaries and Related Expenses	2,116,031	365,050	133,265	2,614,346
Professional fees	71,935	46,989	6,546	125,470
Office expense	17,581	14,973	7,123	39,677
Supplies	85,121	-	-	85,121
Telephone	22,517	4,008	1,163	27,688
Postage	2,106	870	847	3,823
Occupancy	31,505	3,339	537	35,381
Equipment rental	1,575	355	62	1,992
Advertising	-	-	400	400
Equipment repairs	18,020	25,237	278	43,535
Travel	49,608	993	1,008	51,609
Training and seminars	18,003	2,999	1,723	22,725
Dues and subscriptions	1,240	10,536	749	12,525
Insurance	39,895	14,305	401	54,601
Miscellaneous	15,454	8,231	4,354	28,039
Total Expenses Before Depreciation	2,490,591	497,885	158,456	3,146,932
Depreciation	124,157	9,888	2,133	136,178
TOTAL EXPENSES	$ 2,614,748	$ 507,773	$ 160,589	$ 3,283,110

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,625,258	$ 312,781	$ 74,039	$ 2,012,078
Employee benefits	292,645	36,357	7,836	336,838
Payroll taxes	126,112	23,529	5,748	155,389
Total Salaries and Related Expenses	2,044,015	372,667	87,623	2,504,305
Professional fees	71,021	63,416	6,738	141,175
Office expense	17,631	10,862	4,491	32,984
Supplies	38,804	214	-	39,018
Telephone	21,138	3,907	878	25,923
Postage	2,072	955	1,461	4,488
Occupancy	31,613	2,888	221	34,722
Equipment rental	1,882	389	59	2,330
Advertising	-	-	6,780	6,780
Equipment repairs	20,739	21,432	147	42,318
Travel	45,791	1,220	1,009	48,020
Training and seminars	7,051	5,468	1,317	13,836
Dues and subscriptions	1,325	10,793	200	12,318
Insurance	42,522	12,188	177	54,887
Miscellaneous	9,788	5,503	839	16,130
Total Expenses Before Depreciation	2,355,392	511,902	111,940	2,979,234
Depreciation	131,614	10,550	1,259	143,423
TOTAL EXPENSES	$ 2,487,006	$ 522,452	$ 113,199	$ 3,122,657

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ 14,758	$ 129,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	136,178	143,423
Unrealized losses on investments	3,382	-
Unrealized gains on beneficial interest	(25,939)	(33,901)
Loss on disposal of property and equipment	763	-
Bad debt expense	-	(4,586)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	12,000	(12,000)
Accounts receivable	52,783	(74,372)
Other receivables	(11,531)	(2,746)
Prepaid expenses	3,867	13,082
Increase (decrease) in:		
Accounts payable and accrued expenses	9,574	(75,427)
Other liabilities	(3,606)	8,741
Contributions restricted for long-term purposes	(175)	(1,000)
Net Cash Provided by Operating Activities	192,054	90,614
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	700	-
Capital expenditures	(32,538)	(52,380)
Purchases of investments	(250,000)	-
Reinvested investment income, net of fees	(917)	-
Beneficial interest additions, net	3,229	2,128
Net Cash Used in Investing Activities	(279,526)	(50,252)
FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	175	1,000
Net Cash Provided by Financing Activities	175	1,000
Change in Cash and Cash Equivalents	(87,297)	41,362
Cash and Cash Equivalents at Beginning of Year	1,511,730	1,470,368
Cash and Cash Equivalents at End of Year	$ 1,424,433	$ 1,511,730

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.

Cash and Cash Equivalents

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.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at net realizable value. The Center has determined that no allowance for doubtful accounts is considered necessary at June 30, 2018 or 2017.

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.

Investments

The Center accounts for its investments in marketable securities with readily determinable fair values at their fair values in the statements of financial position. Investment income and realized and unrealized gains and losses are included in the change in net assets in the statements of activities. Expenses relating to investment income, including custodial fees and investment advisory fees, have been netted against investment income in the financial statements. Fees paid for investment advisory services amounted to $523 for the year ended June 30, 2018.

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 $357,123 and $334,413 for the years ended June 30, 2018 and 2017, 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, 2018 or 2017.**

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 J 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, 2018) 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.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations.

The following are the most significant changes to the standards:

- **Only two classes of net assets are reported in the statement of financial position—net assets with donor restrictions and net assets without donor restrictions.**
- **All nonprofit organizations, not just voluntary health and welfare organizations, are required to present an analysis of expenses by both nature and function in one location.**
- **Nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions.**
- **Nonprofit organizations are still permitted to report cash flows from operating activities using either the direct or the indirect methods. However, a reconciliation to the indirect method is no longer required when the direct method is used.**
- **Investment return is reported net of external and direct internal investment expenses on the statement of activities in the net asset category in which the net investment return is reported.**
- **The release of restrictions on donor-restricted gifts of cash or assets to be used to acquire or construct capital assets is recognized when the assets are placed in service, unless the donor places a time restriction on the use of the asset.**
- **Nonprofit organizations are required to provide more information about liquidity of its financial assets and how the availability of the financial assets is limited by donor-imposed restrictions, legal restrictions, and governing board designations.**
- **Disclosures about designations of net assets made by the governing board are required.**
- **ASU 2016-14 defines the term *underwater endowment* and changes the net asset classification of the deficit when the fair value of the assets of an endowment is less than the original gift (or other amount that the organization must maintain in perpetuity).**

The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

NOTE C: INVESTMENTS

Investments at June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Money market funds	$ 5,947	$ -
Bond and fixed income funds	104,826	-
Equity funds	136,762	-
	$ 247,535	$ -

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

Endowment net assets composition by type as of June 30, 2018 and 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2018				
Donor-restricted endowment	$ -	$ 91,127	$ 129,150	$ 220,277
Board designated endowment	136,846	-	-	136,846
	$ 136,846	$ 91,127	$ 129,150	$ 357,123
2017				
Donor-restricted endowment	$ -	$ 77,605	$ 128,975	$ 206,580
Board designated endowment	127,833	-	-	127,833
	$ 127,833	$ 77,605	$ 128,975	$ 334,413

Changes in endowment net assets during the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2018				
Endowment net assets, beginning of year	$ 127,833	$ 77,605	$ 128,975	$ 334,413
Contributions	-	-	175	175
Interest and dividend income, net	(1,361)	(2,043)	-	(3,404)
Unrealized gains	10,374	15,565	-	25,939
Endowment net assets, end of year	$ 136,846	$ 91,127	$ 129,150	$ 357,123
2017				
Endowment net assets, beginning of year	$ 115,493	$ 59,172	$ 127,975	$ 302,640
Contributions	-	-	1,000	1,000
Interest and dividend income, net	(1,254)	(1,874)	-	(3,128)
Unrealized gains	13,594	20,307	-	33,901
Endowment net assets, end of year	$ 127,833	$ 77,605	$ 128,975	$ 334,413

NOTE E: PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2018 and 2017 is as follows:

	2018	2017
Land	$ 82,438	$ 82,438
Building	3,129,055	3,127,152
Furniture and equipment	597,842	621,945
	3,809,335	3,831,535
Less accumulated depreciation	(1,838,759)	(1,749,164)
	$ 1,970,576	$ 2,082,371

Depreciation expense for the years ended June 30, 2018 and 2017 was $136,178 and $143,423, respectively.

NOTE F: 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 2019. The agreement is subject to annual renewals. There was no outstanding balance on the line of credit at June 30, 2018 or 2017.

NOTE G: LEASES

The Center leases various office equipment under operating leases expiring through August 2020. Future minimum payments under noncancellable leases with initial or remaining terms of one year or more are as follows:

Year ended June 30,	
2019	$ 14,162
2020	7,100
2021	1,183
	$ 22,445

Lease expense under all operating leases for the years ended June 30, 2018 and 2017 was $19,899 and $20,868, respectively.

NOTE H: RETIREMENT PLAN

The Center has a 403(b) retirement plan (the Plan) for its employees. For the years ended June 30, 2018 and 2017, the Center matched 100% up to 5% of participating employee's pay into the Plan. Retirement plan contributions for the years ended June 30, 2018 and 2017 were $35,568 and $25,777, respectively.

NOTE I: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Purpose restricted:		
My Turn program	$ 66,408	$ 67,774
Capital purchases	-	184
Sculpture Garden Stones	699	2,689
Parents Friends Organization	4,465	5,282
Visual art	2,228	2,228
State transition project	56,458	-
Other	25,903	25,881
Time restricted:		
Unappropriated endowment earnings	91,127	77,605
Contributions receivable	-	12,000
	$ 247,288	$ 193,643

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

NOTE J: 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 to 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.**

- ***Investments:*** **Valued at the closing price reported on the active markets on which the individual securities are traded (level 1).**

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 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 J: 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, 2018 and 2017:

	2018				2017			
Assets:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments								
Money market and short-term								
reserve funds	$ 5,947	$ -	$ -	$ 5,947	$ -	$ -	$ -	$ -
Mutual funds								
Bond and fixed income funds								
World Bond	63,043	-	-	63,043	-	-	-	-
High Yield	4,967	-	-	4,967	-	-	-	-
Ultrashort	7,011	-	-	7,011	-	-	-	-
Inflation-protected	4,966	-	-	4,966	-	-	-	-
Emerging Markets	7,295	-	-	7,295	-	-	-	-
Intermediate Term	17,544	-	-	17,544	-	-	-	-
	104,826	-	-	104,826	-	-	-	-
Equity funds								
Domestic Large Blend	40,110	-	-	40,110	-	-	-	-
Domestic Large Growth	10,533	-	-	10,533	-	-	-	-
Domestic Mid-cap Blend	10,562	-	-	10,562	-	-	-	-
Domestic Large Value	34,143	-	-	34,143	-	-	-	-
Domestic Small Blend	3,113	-	-	3,113	-	-	-	-
Diversified Emerging Markets	8,195	-	-	8,195	-	-	-	-
Europe Stock	563	-	-	563	-	-	-	-
Preferred Stock	2,519	-	-	2,519	-	-	-	-
Foreign Large Blend	27,024	-	-	27,024	-	-	-	-
	136,762	-	-	136,762	-	-	-	-
Beneficial Interest in Assets								
Held by Others	-	-	357,123	357,123	-	-	334,413	334,413
	-	-	357,123	357,123	-	-	334,413	334,413
Total assets at fair value	$ 247,535	$ -	$ 357,123	$ 604,658	$ -	$ -	$ 334,413	$ 334,413

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, 2018 and 2017:

	2018	2017
Balance, beginning of year	$ 334,413	$ 302,640
Deposits	175	1,000
Interest and dividends, net	(3,404)	(3,128)
Unrealized and realized gains	25,939	33,901
Balance, end of year	$ 357,123	$ 334,413