

**THE ENRICHMENT CENTER -
AN AFFILIATED CHAPTER OF THE ARC**

Financial Statements

June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 21, 2016

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,470,368	\$ 1,225,207
Restricted cash	-	1,000
Grants and contributions receivable	-	138,535
Accounts receivable, net	289,700	270,884
Other receivables	3,631	3,366
Prepaid expenses	78,736	74,927
Property and equipment, net	2,166,722	2,288,229
Beneficial interests in assets held by others	<u>302,640</u>	<u>308,699</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,311,797</u>	<u>\$ 4,310,847</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 189,742	\$ 201,964
Other liabilities	<u>18,181</u>	<u>28,181</u>
<u>Total Liabilities</u>	<u>207,923</u>	<u>230,145</u>
Net Assets		
Unrestricted		
Undesignated	1,529,247	1,225,269
Designated for property and equipment	2,166,722	2,288,229
Board designated for endowment	<u>115,493</u>	<u>118,946</u>
	3,811,462	3,632,444
Temporarily restricted	164,437	321,783
Permanently restricted	<u>127,975</u>	<u>126,475</u>
<u>Total Net Assets</u>	<u>4,103,874</u>	<u>4,080,702</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 4,311,797</u>	<u>\$ 4,310,847</u>

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Public Support				
United Way contributions	\$ 125,525	\$ -	\$ -	\$ 125,525
Other contributions	95,910	1,124	1,500	98,534
Grants	<u>44,254</u>	<u>35,000</u>	<u>-</u>	<u>79,254</u>
Total Public Support	<u>265,689</u>	<u>36,124</u>	<u>1,500</u>	<u>303,313</u>
Revenue				
Program fees	2,839,070	-	-	2,839,070
Craft sales	18,918	-	-	18,918
Investment income, net	(180)	(1,791)	-	(1,971)
Unrealized losses on beneficial interest	(2,242)	(3,315)	-	(5,557)
Other	<u>10,011</u>	<u>204</u>	<u>-</u>	<u>10,215</u>
Total Revenue	<u>2,865,577</u>	<u>(4,902)</u>	<u>-</u>	<u>2,860,675</u>
Net Assets Released From Restrictions	<u>188,568</u>	<u>(188,568)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,319,834</u>	<u>(157,346)</u>	<u>1,500</u>	<u>3,163,988</u>
Expenses				
Program services	2,560,098	-	-	2,560,098
Management and general	513,579	-	-	513,579
Fundraising	<u>67,139</u>	<u>-</u>	<u>-</u>	<u>67,139</u>
Total Expenses	<u>3,140,816</u>	<u>-</u>	<u>-</u>	<u>3,140,816</u>
Change in Net Assets	179,018	(157,346)	1,500	23,172
Net Assets at Beginning of Year	<u>3,632,444</u>	<u>321,783</u>	<u>126,475</u>	<u>4,080,702</u>
Net Assets at End of Year	<u>\$ 3,811,462</u>	<u>\$ 164,437</u>	<u>\$ 127,975</u>	<u>\$ 4,103,874</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Public Support				
United Way contributions	\$ -	\$ 133,535	\$ -	\$ 133,535
Other contributions	94,202	10,316	1,000	105,518
Grants	<u>10,878</u>	<u>35,000</u>	<u>-</u>	<u>45,878</u>
Total Public Support	<u>105,080</u>	<u>178,851</u>	<u>1,000</u>	<u>284,931</u>
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	<u>10,283</u>	<u>1,319</u>	<u>-</u>	<u>11,602</u>
Total Revenue	<u>2,613,964</u>	<u>14,801</u>	<u>-</u>	<u>2,628,765</u>
Net Assets Released From Restrictions	<u>303,672</u>	<u>(303,672)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,022,716</u>	<u>(110,020)</u>	<u>1,000</u>	<u>2,913,696</u>
Expenses				
Program services	2,636,556	-	-	2,636,556
Management and general	498,861	-	-	498,861
Fundraising	<u>80,168</u>	<u>-</u>	<u>-</u>	<u>80,168</u>
Total Expenses	<u>3,215,585</u>	<u>-</u>	<u>-</u>	<u>3,215,585</u>
Change in Net Assets	(192,869)	(110,020)	1,000	(301,889)
Net Assets at Beginning of Year	<u>3,825,313</u>	<u>431,803</u>	<u>125,475</u>	<u>4,382,591</u>
Net Assets at End of Year	<u>\$ 3,632,444</u>	<u>\$ 321,783</u>	<u>\$ 126,475</u>	<u>\$ 4,080,702</u>

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,670,555	\$ 310,881	\$ 41,070	\$ 2,022,506
Employee benefits	280,056	40,581	5,611	326,248
Payroll taxes	<u>137,359</u>	<u>24,567</u>	<u>3,228</u>	<u>165,154</u>
<u>Total Salaries and Related Expenses</u>	2,087,970	376,029	49,909	2,513,908
Professional fees	66,184	54,596	6,331	127,111
Office expense	13,453	10,366	3,595	27,414
Supplies	65,915	8,258	-	74,173
Telephone	19,523	3,765	581	23,869
Postage	2,538	1,027	1,223	4,788
Occupancy	31,913	2,869	223	35,005
Equipment rental	2,057	455	66	2,578
Advertising	150	-	1,560	1,710
Equipment repairs	16,208	7,836	126	24,170
Travel	50,033	1,246	376	51,655
Training and seminars	12,672	5,426	1,010	19,108
Dues and subscriptions	409	9,976	350	10,735
Insurance	41,130	10,445	194	51,769
Miscellaneous	<u>11,329</u>	<u>10,174</u>	<u>309</u>	<u>21,812</u>
<u>Total Expenses Before Depreciation</u>	2,421,484	502,468	65,853	2,989,805
Depreciation	<u>138,614</u>	<u>11,111</u>	<u>1,286</u>	<u>151,011</u>
<u>TOTAL EXPENSES</u>	<u>\$ 2,560,098</u>	<u>\$ 513,579</u>	<u>\$ 67,139</u>	<u>\$ 3,140,816</u>

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,718,687	\$ 305,674	\$ 43,027	\$ 2,067,388
Employee benefits	318,290	33,939	6,873	359,102
Payroll taxes	<u>147,472</u>	<u>25,008</u>	<u>3,510</u>	<u>175,990</u>
<u>Total Salaries and Related Expenses</u>	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	<u>8,482</u>	<u>10,670</u>	<u>612</u>	<u>19,764</u>
<u>Total Expenses Before Depreciation</u>	2,493,441	487,371	78,836	3,059,648
Depreciation	<u>143,115</u>	<u>11,490</u>	<u>1,332</u>	<u>155,937</u>
<u>TOTAL EXPENSES</u>	<u>\$ 2,636,556</u>	<u>\$ 498,861</u>	<u>\$ 80,168</u>	<u>\$ 3,215,585</u>

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 23,172	\$ (301,889)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	151,011	155,937
Unrealized (gains) losses on beneficial interest	5,557	(21,819)
Bad debt expense	(1,176)	2,928
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	138,535	128,537
Accounts receivable	(17,640)	(75,619)
Other receivables	(265)	4,660
Prepaid expenses	(3,809)	(14,717)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,222)	41,398
Other liabilities	(10,000)	1,054
Contributions restricted for long-term purposes	(1,500)	(1,000)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>271,663</u>	<u>(80,530)</u>
INVESTING ACTIVITIES		
Change in restricted cash	1,000	(1,000)
Capital expenditures	(29,504)	(37,984)
Beneficial interest additions, net	502	2,954
<u>Net Cash Used in Investing Activities</u>	<u>(28,002)</u>	<u>(36,030)</u>
FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	1,500	1,000
<u>Net Cash Provided by Financing Activities</u>	<u>1,500</u>	<u>1,000</u>
Change in Cash and Cash Equivalents	245,161	(115,560)
Cash and Cash Equivalents at Beginning of Year	<u>1,225,207</u>	<u>1,340,767</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,470,368</u>	<u>\$ 1,225,207</u>

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC

NOTES TO FINANCIAL STATEMENTS

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.

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC

NOTES TO FINANCIAL STATEMENTS

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 \$4,586 and \$5,762 as of June 30, 2016 and 2015, 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 \$302,640 and \$308,699 for the years ended June 30, 2016 and 2015, 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.

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC

NOTES TO FINANCIAL STATEMENTS

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, 2016 or 2015.

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.

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC

NOTES TO FINANCIAL STATEMENTS

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, 2016) 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.

Reclassifications

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.

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
NOTES TO FINANCIAL STATEMENTS

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

Endowment net assets composition by type as of June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2016				
Donor-restricted endowment	\$ -	\$ 59,172	\$ 127,975	\$ 187,147
Board designated endowment	<u>115,493</u>	<u>-</u>	<u>-</u>	<u>115,493</u>
	<u>\$ 115,493</u>	<u>\$ 59,172</u>	<u>\$ 127,975</u>	<u>\$ 302,640</u>
2015				
Restricted cash	\$ -	\$ -	\$ 1,000	\$ 1,000
Donor-restricted endowment	-	64,278	125,475	189,753
Board designated endowment	<u>118,946</u>	<u>-</u>	<u>-</u>	<u>118,946</u>
	<u>\$ 118,946</u>	<u>\$ 64,278</u>	<u>\$ 126,475</u>	<u>\$ 309,699</u>

Changes in endowment net assets during the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2016				
Endowment net assets, beginning of year	\$ 118,946	\$ 64,278	\$ 126,475	\$ 309,699
Contributions	-	-	1,500	1,500
Interest and dividend income, net	(1,211)	(1,791)	-	(3,002)
Unrealized losses	<u>(2,242)</u>	<u>(3,315)</u>	<u>-</u>	<u>(5,557)</u>
Endowment net assets, end of year	<u>\$ 115,493</u>	<u>\$ 59,172</u>	<u>\$ 127,975</u>	<u>\$ 302,640</u>
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	<u>8,853</u>	<u>12,966</u>	<u>-</u>	<u>21,819</u>
Endowment net assets, end of year	<u>\$ 118,946</u>	<u>\$ 64,278</u>	<u>\$ 126,475</u>	<u>\$ 309,699</u>

THE ENRICHMENT CENTER - AN AFFILIATED CHAPTER OF THE ARC
NOTES TO FINANCIAL STATEMENTS

NOTE D: PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 82,438	\$ 82,438
Building	3,125,553	3,125,553
Furniture and equipment	<u>564,472</u>	<u>534,969</u>
	3,772,463	3,742,960
Less accumulated depreciation	<u>(1,605,741)</u>	<u>(1,454,731)</u>
	<u>\$ 2,166,722</u>	<u>\$ 2,288,229</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$151,011 and \$155,937, 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, 2016 or 2015.

NOTE F: LEASES

The Center leases various office equipment under operating leases expiring through June, 2019. Future minimum payments under noncancellable leases with initial or remaining terms of one year or more are as follows:

<u>Year ended June 30,</u>	
2017	\$ 17,987
2018	4,200
2019	<u>3,500</u>
	<u>\$ 25,687</u>

Lease expense under all operating leases for the years ended June 30, 2016 and 2015 was \$20,008 and \$8,087, respectively.

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NOTE G: RETIREMENT PLAN

The Center has a 403(b) retirement plan (the Plan) for its employees. For the years ended June 30, 2016 and 2015, the Center matched 100% up to 5% of participating employee's pay into the Plan. Retirement plan contributions for the years ended June 30, 2016 and 2015 were \$25,537 and \$36,597, respectively.

NOTE H: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose restricted:		
My Turn program	\$ 66,759	\$ 67,476
Capital purchases	1,584	5,509
Sculpture Garden Stones	2,689	5,174
Parents Friends Organization	5,048	4,843
Visual art	2,228	2,228
Other	26,957	38,740
Time restricted:		
Unappropriated endowment earnings	59,172	64,278
United Way - unconditional promise to give	-	<u>133,535</u>
	<u>\$ 164,437</u>	<u>\$ 321,783</u>

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.

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NOTE 1: 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.

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.

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NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2016</u>				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 302,640	\$ 302,640
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,640</u>	<u>\$ 308,699</u>
<u>2015</u>				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 308,699	\$ 308,699
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,699</u>	<u>\$ 308,699</u>

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 308,699	\$ 289,834
Deposits	2,500	-
Interest and dividends, net	(3,002)	(2,954)
Unrealized gains (losses)	<u>(5,557)</u>	<u>21,819</u>
Balance, end of year	<u>\$ 302,640</u>	<u>\$ 308,699</u>