

**CAROLINAS CREDIT UNION FOUNDATION, INC.**

**Financial Statements**

**December 31, 2016 and 2015**

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To the Board of Directors  
Carolinas Credit Union Foundation, Inc.  
Kernersville, North Carolina

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of Carolinas Credit Union Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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 Carolinas Credit Union Foundation, Inc. as of December 31, 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  
July 3, 2017

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,775,425	\$ 1,693,542
Marketable securities	36,104	47,889
Contributions receivable	128,635	65,000
Other assets	6,624	535
Property and equipment, net	<u>26,023</u>	<u>36,049</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,972,811</u></b>	<b><u>\$ 1,843,015</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 72,145	\$ 15,365
Pledge payable, net	<u>395,000</u>	<u>587,000</u>
<b><u>Total Liabilities</u></b>	<b><u>467,145</u></b>	<b><u>602,365</u></b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	(303,366)	(510,790)
Board designated	<u>199,175</u>	<u>199,175</u>
	(104,191)	(311,615)
Temporarily restricted	853,000	772,033
Permanently restricted	<u>756,857</u>	<u>780,232</u>
<b><u>Total Net Assets</u></b>	<b><u>1,505,666</u></b>	<b><u>1,240,650</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 1,972,811</u></b>	<b><u>\$ 1,843,015</u></b>

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions	\$ 180,696	\$ 996,472	\$ -	\$ 1,177,168
Community Investment Fund support	2,700	2,700	-	5,400
Interest, net of dividend expense of \$4,551	5,542	4,551	-	10,093
Unrealized and realized gains on investments	5,488	-	-	5,488
	<u>194,426</u>	<u>1,003,723</u>	<u>-</u>	<u>1,198,149</u>
Net assets released from restrictions	<u>946,131</u>	<u>(946,131)</u>	<u>-</u>	<u>-</u>
<b><u>Total Support and Revenue</u></b>	<b><u>1,140,557</u></b>	<b><u>57,592</u></b>	<b><u>-</u></b>	<b><u>1,198,149</u></b>
<b>Expenses</b>				
NCUF Support	688	-	-	688
Assistance	508,644	-	-	508,644
Scholarships	268,910	-	-	268,910
Administrative	105,547	-	-	105,547
Office operations	12,577	-	-	12,577
Professional fees	22,237	-	-	22,237
Depreciation	13,595	-	-	13,595
Miscellaneous	935	-	-	935
<b><u>Total Expenses</u></b>	<b><u>933,133</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>933,133</u></b>
Change in Net Assets Before Transfers	207,424	57,592	-	265,016
Transfers	<u>-</u>	<u>23,375</u>	<u>(23,375)</u>	<u>-</u>
Change in Net Assets	207,424	80,967	(23,375)	265,016
Net Assets, Beginning of Year	<u>(311,615)</u>	<u>772,033</u>	<u>780,232</u>	<u>1,240,650</u>
Net Assets, End of Year	<u>\$ (104,191)</u>	<u>\$ 853,000</u>	<u>\$ 756,857</u>	<u>\$ 1,505,666</u>

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions	\$ 109,182	\$ 698,184	\$ -	\$ 807,366
In-kind contributions	6,000	-	-	6,000
Community Investment Fund support	1,054	1,054	-	2,108
Interest, net of dividend expense of \$7,267	(1,221)	7,267	-	6,046
Unrealized losses on investments	(1,938)	-	-	(1,938)
Gain on disposal of assets	4,710	-	-	4,710
	<u>117,787</u>	<u>706,505</u>	<u>-</u>	<u>824,292</u>
Net assets released from restrictions	<u>541,294</u>	<u>(541,294)</u>	<u>-</u>	<u>-</u>
<b><u>Total Support and Revenue</u></b>	<b><u>659,081</u></b>	<b><u>165,211</u></b>	<b><u>-</u></b>	<b><u>824,292</u></b>
<b>Expenses</b>				
NCUF Support	1,282	-	-	1,282
Assistance	969,040	-	-	969,040
Scholarships	272,561	-	-	272,561
Administrative	124,778	-	-	124,778
Office operations	15,593	-	-	15,593
Professional fees	46,846	-	-	46,846
Depreciation	13,295	-	-	13,295
Miscellaneous	3,420	-	-	3,420
<b><u>Total Expenses</u></b>	<b><u>1,446,815</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,446,815</u></b>
<b>Change in Net Assets</b>	<b>(787,734)</b>	<b>165,211</b>	<b>-</b>	<b>(622,523)</b>
<b>Net Assets, Beginning of Year</b>	<b><u>476,119</u></b>	<b><u>606,822</u></b>	<b><u>780,232</u></b>	<b><u>1,863,173</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ (311,615)</u></b>	<b><u>\$ 772,033</u></b>	<b><u>\$ 780,232</u></b>	<b><u>\$ 1,240,650</u></b>

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 265,016	\$ (622,523)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,595	13,295
Gain on disposal of assets	-	(4,710)
Unrealized and realized (gains) losses on investments	(5,488)	1,938
Discount on pledge payable	-	(13,000)
Amortization of discount on pledge payable	8,000	-
(Increase) decrease in operating assets:		
Contributions receivable	(63,635)	(2,794)
Other assets	(6,089)	699
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	56,780	(17,431)
Pledge payable	(200,000)	600,000
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>68,179</u>	<u>(44,526)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	17,273	-
Capital expenditures	(3,569)	(37,800)
Proceeds from disposal of assets	-	22,095
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>13,704</u>	<u>(15,705)</u>
Change in Cash and Cash Equivalents	81,883	(60,231)
Cash and Cash Equivalents, Beginning of Year	<u>1,693,542</u>	<u>1,753,773</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,775,425</u>	<u>\$ 1,693,542</u>

# CAROLINAS CREDIT UNION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

The Carolinas Credit Union Foundation, Inc. (the "Foundation") is incorporated under the laws of the State of North Carolina for the purpose of fostering credit union ideals by providing scholarships to qualified members and their families for continuing and higher education and to provide assistance to credit unions and various community organizations in North and South Carolina.

### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Foundation 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 be met.

Permanently restricted net assets – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity. The Foundation 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, are recognized as revenues in the period the commitment is made and are initially recorded at fair value, which is computed as the estimated present values of expected future cash flows. 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 at the date of gift.

#### In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. The Foundation reports revenues 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.



# CAROLINAS CREDIT UNION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Cash and Cash Equivalents

Cash and cash equivalents consist of money market and short-term share account deposits at Vizo Financial Corporate Credit Union. These funds are insured by the National Credit Union Share Insurance Fund up to \$250,000. The Foundation's uninsured cash balances were \$1,532,327 at December 31, 2016.

Included in cash and cash equivalents are permanently restricted gifts totaling \$780,232 at December 31, 2016 and 2015. See the "Endowment Funds" note below for a discussion of the accounting requirements for these perpetual gifts.

#### Marketable Securities

Marketable securities consist of common stock reported at fair value in the accompanying statements of financial position. Unrealized gains and losses on the fair value of securities during the year are reflected in the statements of activities.

#### 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 Foundation measured at fair value on a recurring basis.

#### Endowment Funds

Endowment funds consist of permanently restricted gifts received by the Foundation. These funds, included in cash and cash equivalents in the accompanying financial statements, are accounted for in accordance with GAAP.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

# CAROLINAS CREDIT UNION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Endowment Funds (Continued)

*Funds with Deficiencies.* From time to time, the fair value of the assets associated with the donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as funds of perpetual duration. In accordance with GAAP, deficiencies of this nature are first offset by any accumulated temporarily restricted net assets from the funds, with any remaining deficiency offsetting unrestricted net assets. Any reduction in unrestricted net assets will be restored with future earnings before any earnings are accumulated in temporarily restricted net assets. There were no donor-restricted endowment deficiencies at December 31, 2016 or 2015.

In accordance with UPMIFA, the Foundation 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, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* Endowment assets are invested in a low risk share account at a local corporate credit union. The account is insured up to \$250,000 by the National Credit Union Share Insurance Fund.

*Spending Policy.* Disbursements from the funds are primarily used for scholarships. However, an administrative fee of up to 10% of income earned and an annual disbursement fee ranging from 2% - 4% of annual disbursements with a maximum of \$2,500 can be assessed to each fund. The Foundation assessed \$4,218 of fees for the year ended December 31, 2016. There were no fees assessed for the year ended December 31, 2015. The decision as to who receives a scholarship is determined by a committee appointed by the Board of Directors.

#### Property and Equipment

Property and equipment are stated at original cost and are depreciated on the straight-line basis over the estimated useful lives of the assets. Accumulated depreciation totaled \$25,994 and \$12,399 at December 31, 2016 and 2015, respectively.

#### Tax-Exempt Status

The Foundation 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 Foundation'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 Foundation has no uncertain tax positions that would be subject to change upon examination.

The Foundation is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Foundation 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 Foundation's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated its subsequent events (events occurring after December 31, 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.

**NOTE C: ENDOWMENT FUNDS**

Endowment net assets composition by type as of December 31, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>				
Cash	\$ -	\$ 83,559	\$ 756,857	\$ 840,416
<u>2015</u>				
Cash	\$ -	\$ 57,986	\$ 780,232	\$ 838,218

Changes in endowment net assets during the years ended December 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>				
Endowment net assets, beginning of year	\$ -	\$ 57,986	\$ 780,232	\$ 838,218
Dividend income	-	3,967	-	3,967
Contributions	-	214,682	-	214,682
Transfers	-	23,375	(23,375)	-
Scholarships	-	(212,233)	-	(212,233)
Administrative fees	-	(4,218)	-	(4,218)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 83,559</u>	<u>\$ 756,857</u>	<u>\$ 840,416</u>
<u>2015</u>				
Endowment net assets, beginning of year	\$ -	\$ 37,881	\$ 780,232	\$ 818,113
Dividend income	-	6,715	-	6,715
Contributions	-	239,940	-	239,940
Scholarships	-	(226,550)	-	(226,550)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 57,986</u>	<u>\$ 780,232</u>	<u>\$ 838,218</u>

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D: COMMUNITY INVESTMENT FUND**

Credit unions from North and South Carolina can invest money in a Community Investment Fund (CIF) held and administered by Vizo Financial Corporate Credit Union. Earnings from the CIF are allocated between the investing credit unions and the Foundation. A portion of the earnings received by the Foundation are contributed to the National Credit Union Foundation (NCUF) to support national initiatives. During the years ending December 31, 2016 and 2015, the Foundation received CIF earnings of \$5,400 and \$2,108, respectively.

**NOTE E: PLEDGE PAYABLE**

During the year ended December 31, 2015, the Foundation committed an unconditional promise to give to support the Victory Junction's Outreach Program in the amount \$800,000. The pledge is recorded at the present value of estimated future cash flows with a discount rate of 1.31%. As of December 31, 2016, the remaining pledge is expected to be paid in the following periods:

2017	\$	200,000
2018		<u>200,000</u>
		400,000
Less discount to present value		<u>(5,000)</u>
	\$	<u>395,000</u>

**NOTE F: LINE OF CREDIT**

The Foundation has available for its use a line of credit from Vizo Financial Corporate Credit Union in the amount of \$400,000. The line of credit is collateralized by securities owned by the Foundation and bears interest at a variable rate based on the U.S. Central Credit Union Overnight Shares Account Rate, or other comparable reference rates designated by the lender, plus 0.5%. There were no outstanding amounts on this line of credit as of December 31, 2016 or 2015.

**NOTE G: RETIREMENT PLAN**

The Foundation participates in a contributory retirement plan administered by the Carolinas Credit Union League, which covers substantially all permanent employees who have reached 21 years of age and six months of service. The plan provides that the Foundation make a non-elective contribution to the account of each eligible participant equal to 3% of the participant's compensation. In addition, the Foundation will match 2% of the participant's compensation for the participant's service period of six months to five years, 4% of the participant's compensation for the participant's service period of five years to ten years, and 6% of the participant's compensation after the participant has reached ten years of service. Employee deferrals are vested immediately and employer contributions become vested when a participant reaches five years of service. Employer contributions to the plan amounted to \$4,900 and \$3,106 for the years ended December 31, 2016 and 2015, respectively.

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE H: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Victory Junction	\$ 178,632	\$ 54,133
Tarheel Chapter Fund	16,140	16,140
Scholarships	233,113	186,432
Coastal FCU grant assistance	346,458	495,574
Other	13,738	2,154
Disaster Relief Fund	<u>64,919</u>	<u>17,600</u>
	<u>\$ 853,000</u>	<u>\$ 772,033</u>

Net assets were released from restrictions by usage of funds consistent with donor restrictions for the following purposes:

	<u>2016</u>	<u>2015</u>
Children's Hospital	\$ 86,613	\$ 6,757
Victory Junction	242,398	105,105
Scholarships	237,733	252,050
Coastal FCU grant assistance	307,456	166,100
Piedmont Advantage CU grant assistance	5,000	5,000
NCUF Support	688	1,282
Disaster Relief Fund	49,705	5,000
Administrative Fees	<u>16,538</u>	<u>-</u>
	<u>\$ 946,131</u>	<u>\$ 541,294</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from these assets is primarily used for scholarships. However, an administration fee of up to 10% of income earned and an annual disbursement fee ranging from 2% - 4% of annual disbursements with a maximum of \$2,500 can be assessed to each fund. See Note C for more detail on these endowment fund assets.

# CAROLINAS CREDIT UNION FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I: RELATED PARTY TRANSACTIONS

The ten individuals on the Board of Directors are comprised of senior management in various credit unions and credit union service organizations from North Carolina and South Carolina. The organizations that these board members represent gave, in the aggregate, \$42,225 and \$60,447 in unrestricted contributions for the years ended December 31, 2016 and 2015, respectively. In addition, the organizations gave \$606,776 and \$457,489 in temporarily restricted contributions for the years ended December 31, 2016 and 2015, respectively. The temporarily restricted contributions are directed to donor-advised funds controlled by the Foundation. Contribution amounts due from these organizations totaled \$61,000 and \$65,000 at December 31, 2016 and 2015, respectively.

Another member of the Board of Directors is the President of the Carolinas Credit Union League, parent company of Professional League Resources (PLR). PLR provides human resources and accounting services to the Foundation. Fees paid to PLR for these services totaled \$9,312 for each of the years ended December 31, 2016 and 2015.

### NOTE J: FAIR VALUE MEASUREMENTS

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

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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. Marketable securities are the only assets held by the Foundation required to be reported at fair value. The Foundation values marketable securities at the closing prices reported on the active markets on which the individual securities are traded.

**CAROLINAS CREDIT UNION FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE J: FAIR VALUE MEASUREMENTS (CONTINUED)**

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 Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>2016</u></b>				
Marketable Securities				
Common stocks - Energy	<u>\$ 36,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,104</u>
<b><u>2015</u></b>				
Marketable Securities				
Common stocks - Energy	<u>\$ 47,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,889</u>

**NOTE K: CONCENTRATION**

For the years ended December 31, 2016 and 2015, respectively, 39% and 51% of support and revenue was provided by three contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.