



**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2019 and 2018**



PEARL BUCK CENTER INCORPORATED  
FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Pearl Buck Center Incorporated  
Eugene, Oregon

We have audited the accompanying financial statements of Pearl Buck Center Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Pearl Buck Center Incorporated as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones & Roth, P.C.*

Jones & Roth, P.C.  
Eugene, Oregon  
September 26, 2019

## FINANCIAL STATEMENTS

PEARL BUCK CENTER INCORPORATED  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 89,906	\$ 242,611
Investments	258,369	401,716
Accounts receivable, net of allowance	244,720	361,074
Grants receivable	70,000	-
Prepaid expenses	45,408	45,220
Inventories	54,013	59,452
Beneficial interest in trust receivable, current portion	<u>25,000</u>	<u>25,000</u>
Total current assets	<u>787,416</u>	<u>1,135,073</u>
<b>Property and equipment, net</b>	<u>4,451,106</u>	<u>4,584,664</u>
<b>Other assets</b>		
Investments, Board-directed reserve	357,861	340,030
Unconditional promises to give, net of current portion	4,050	5,405
Beneficial interest in trust receivable, long-term	685,510	689,565
Beneficial interest in the assets of Oregon Community Foundation (OCF)	<u>328,262</u>	<u>322,254</u>
Total other assets	<u>1,375,683</u>	<u>1,357,254</u>
<b>Total assets</b>	<u>\$ 6,614,205</u>	<u>\$ 7,076,991</u>

	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Line of credit	\$ 35,000	\$ -
Accounts payable and accrued expenses	22,569	600
Accrued payroll and related expenses	172,407	175,065
Compensated absences payable	106,733	116,116
Current portion of capital lease obligation	-	1,035
Current portion of note payable	<u>1,775</u>	<u>-</u>
Total current liabilities	338,484	292,816
<b>Non-current liabilities</b>		
Note payable, net of current portion	<u>7,999</u>	<u>-</u>
Total liabilities	<u>346,483</u>	<u>292,816</u>
<b>Net assets</b>		
Without donor restrictions	5,434,247	6,015,290
With donor restrictions	<u>833,475</u>	<u>768,885</u>
Total net assets	<u>6,267,722</u>	<u>6,784,175</u>
<b>Total liabilities and net assets</b>	<u>\$ 6,614,205</u>	<u>\$ 7,076,991</u>

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Revenue, gains, and other support:			
Governmental support	\$ 4,406,428	\$ -	\$ 4,406,428
Grants	27,132	232,750	259,882
United Way	26,034	-	26,034
Contributions	247,813	5,280	253,093
Production income	653,280	-	653,280
Change in beneficial interest in trust receivable	-	20,945	20,945
Gain on investments, net	10,071	-	10,071
Interest and dividends	14,563	-	14,563
Change in beneficial interest in the assets of OCF	19,470	-	19,470
Miscellaneous	140,729	-	140,729
Net assets released from restrictions	194,385	(194,385)	-
 Total revenue, gains, and other support	5,739,905	64,590	5,804,495
<b>Expenses</b>			
Program services:			
Pearl Buck Preschool	738,243	-	738,243
LEAP (Life Enhancing Activities Program)	398,288	-	398,288
Community Employment	2,074,515	-	2,074,515
Production Services	1,593,908	-	1,593,908
Academy	201,930	-	201,930
Support services:			
Administrative and general	1,000,559	-	1,000,559
Financial development	313,505	-	313,505
 Total expenses	6,320,948	-	6,320,948
<b>Change in net assets</b>	(581,043)	64,590	(516,453)
Net assets, beginning of year	6,015,290	768,885	6,784,175
<b>Net assets, end of year</b>	\$ 5,434,247	\$ 833,475	\$ 6,267,722



2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 4,459,179	\$ -	\$ 4,459,179
5,402	88,274	93,676
24,996	-	24,996
246,344	2,502	248,846
656,777	-	656,777
-	22,501	22,501
24,730	-	24,730
8,681	-	8,681
27,897	-	27,897
138,388	-	138,388
<u>185,545</u>	<u>(185,545)</u>	<u>-</u>
<u>5,777,939</u>	<u>(72,268)</u>	<u>5,705,671</u>
734,719	-	734,719
394,403	-	394,403
1,786,141	-	1,786,141
1,677,198	-	1,677,198
165,178	-	165,178
881,164	-	881,164
<u>257,544</u>	<u>-</u>	<u>257,544</u>
<u>5,896,347</u>	<u>-</u>	<u>5,896,347</u>
(118,408)	(72,268)	(190,676)
<u>6,133,698</u>	<u>841,153</u>	<u>6,974,851</u>
<u>\$ 6,015,290</u>	<u>\$ 768,885</u>	<u>\$ 6,784,175</u>

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019

	Program Services					Total Program Services
	Pearl Buck		Community	Production	Pearl Buck	
	Preschool	LEAP	Employment	Services	Vocational Academy	
Payroll and related expenses:						
Staff wages	\$ 408,221	\$ 257,366	\$ 1,356,242	\$ 291,031	\$ 138,374	\$ 2,451,234
Client wages	678	345	1,077	169,282	347	171,729
Production Specialist wages	-	-	-	467,127	-	467,127
Payroll taxes and benefits	113,186	76,791	371,638	229,064	32,301	822,980
Total payroll and related expenses	522,085	334,502	1,728,957	1,156,504	171,022	3,913,070
Advertising, marketing, and public relations	614	189	629	1,743	431	3,606
Bad debt expense	-	-	2,280	-	-	2,280
Buildings and equipment maintenance and janitorial	17,168	7,914	706	30,468	2,030	58,286
Conferences, meetings, and training	4,366	1,164	9,232	6,437	2,345	23,544
Dues, fees, and licenses	1,565	1,880	10,369	15,566	1,249	30,629
First aid and safety	525	424	976	539	37	2,501
Fundraising events and other	-	-	-	-	-	-
Gifts in-kind	-	-	-	-	4,885	4,885
Insurance	4,792	7,245	5,163	7,746	2,054	27,000
Interest expense	-	-	-	-	-	-
Office printing and postage	1,577	89	4,205	1,452	978	8,301
Professional fees	-	200	6,213	400	200	7,013
Rental expense	5,870	587	103,619	42,493	14	152,583
Supplies - office and program	26,251	5,712	47,824	41,943	8,515	130,245
Telephone	5,111	2,052	35,970	10,036	401	53,570
Transportation contract and vehicle expenses	76,346	1,697	97,411	15,781	251	191,486
Utilities	17,410	8,867	-	31,268	2,275	59,820
Other expenses	13,561	1,003	7,466	20,536	404	42,970
Direct production costs	-	-	-	91,200	-	91,200
Small tools and equipment	182	158	2,505	3,325	50	6,220
Client employee training	-	-	1,369	-	-	1,369
Depreciation	40,820	24,605	9,621	116,471	4,789	196,306
Total functional expenses	<u>\$ 738,243</u>	<u>\$ 398,288</u>	<u>\$ 2,074,515</u>	<u>\$ 1,593,908</u>	<u>\$ 201,930</u>	<u>\$ 5,006,884</u>

<u>Support Services</u>		
<u>Administrative and General</u>	<u>Financial Development</u>	<u>Total</u>
\$ 646,624	\$ 162,511	\$ 3,260,369
316	89	172,134
-	-	467,127
<u>154,604</u>	<u>31,663</u>	<u>1,009,247</u>
801,544	194,263	4,908,877
80	746	4,432
-	-	2,280
11,202	2,030	71,518
6,597	412	30,553
47,747	1,943	80,319
132	37	2,670
-	33,721	33,721
-	58,615	63,500
12,893	2,077	41,970
902	-	902
4,829	5,914	19,044
30,252	-	37,265
6,073	333	158,989
21,230	2,284	153,759
5,873	2,094	61,537
2,551	391	194,428
8,108	2,275	70,203
13,924	1,557	58,451
57	-	91,257
1,531	24	7,775
-	-	1,369
<u>25,034</u>	<u>4,789</u>	<u>226,129</u>
<u>\$ 1,000,559</u>	<u>\$ 313,505</u>	<u>\$ 6,320,948</u>

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2018

	Program Services					Total Program Services
	Pearl Buck Preschool	LEAP	Community Employment	Production Services	Pearl Buck Vocational Academy	
	Payroll and related expenses:					
Staff wages	\$ 359,640	\$ 259,095	\$ 1,188,277	\$ 303,565	\$ 120,494	\$ 2,231,071
Client wages	748	381	1,890	263,247	209	266,475
Production Specialist wages	-	-	-	443,617	-	443,617
Payroll taxes and benefits	105,971	69,776	297,381	257,980	24,306	755,414
 Total payroll and related expenses	 466,359	 329,252	 1,487,548	 1,268,409	 145,009	 3,696,577
 Advertising, marketing, and public relations	 1,270	 521	 6,476	 1,674	 1,371	 11,312
Buildings and equipment maintenance and janitorial	22,304	10,218	-	38,551	2,621	73,694
Conferences, meetings, and training	4,312	506	17,516	10,116	1,550	34,000
Dues, fees, and licenses	1,310	950	11,663	15,090	1,945	30,958
First aid and safety	425	572	432	1,082	52	2,563
Fundraising events and other	-	-	-	-	-	-
Gifts in-kind	42,377	550	-	4,771	-	47,698
Insurance	5,228	7,937	5,850	8,851	2,254	30,120
Interest expense	-	-	-	-	-	-
Investment costs	-	-	-	-	-	-
Office printing and postage	3,083	69	3,941	1,010	-	8,103
Professional fees	-	-	590	-	-	590
Rental expense	3,892	452	56,541	55,254	-	116,139
Supplies - office and program	28,065	5,805	58,969	39,114	2,408	134,361
Telephone	5,217	1,968	34,785	10,852	341	53,163
Transportation contract and vehicle expenses	73,887	1,216	84,873	11,984	177	172,137
Utilities	17,013	8,664	-	30,555	2,223	58,455
Other expenses	3,621	857	3,634	9,965	368	18,445
Direct production costs	14,459	-	-	49,315	-	63,774
Small tools and equipment	1,396	684	1,729	5,626	178	9,613
Client employee training	-	-	3,086	-	-	3,086
Depreciation	40,501	24,182	8,508	114,979	4,681	192,851
 Total functional expenses	 <u>\$ 734,719</u>	 <u>\$ 394,403</u>	 <u>\$ 1,786,141</u>	 <u>\$ 1,677,198</u>	 <u>\$ 165,178</u>	 <u>\$ 4,757,639</u>

<u>Support Services</u>		
<u>Administrative and General</u>	<u>Financial Development</u>	<u>Total</u>
\$ 533,325	\$ 172,461	\$ 2,936,857
348	98	266,921
-	-	443,617
<u>132,003</u>	<u>37,226</u>	<u>924,643</u>
665,676	209,785	4,572,038
344	1,349	13,005
11,143	2,621	87,458
8,120	1,440	43,560
46,212	2,469	79,639
552	52	3,167
-	19,732	19,732
-	-	47,698
11,849	1,983	43,952
153	-	153
5,837	-	5,837
4,067	4,617	16,787
32,291	124	33,005
5,720	271	122,130
30,576	2,077	167,014
4,913	1,992	60,068
1,904	169	174,210
7,924	2,223	68,602
16,441	1,683	36,569
-	-	63,774
3,133	276	13,022
-	-	3,086
<u>24,309</u>	<u>4,681</u>	<u>221,841</u>
<u>\$ 881,164</u>	<u>\$ 257,544</u>	<u>\$ 5,896,347</u>

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (516,453)	\$ (190,676)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	226,129	221,841
Realized and unrealized gain on investments	(10,071)	(24,730)
Gain on sale of property and equipment	(11,000)	(2,130)
Net change in beneficial interest in the assets of OCF	(19,470)	(27,897)
Net change in beneficial interest in trust receivable	(20,945)	(22,501)
(Increase) decrease in:		
Accounts receivable, net of allowance	116,354	(1,165)
Grants receivable	(70,000)	12,500
Prepaid expenses	(188)	20,212
Inventories	5,439	(21,245)
Unconditional promises to give	1,355	(2,785)
Increase (decrease) in:		
Accounts payable and accrued expenses	21,969	(15,064)
Accrued payroll and related expenses	(2,658)	15,573
Compensated absences payable	(9,383)	5,778
	(288,922)	(32,289)
Net cash used by operating activities		
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	150,000	-
Purchases of investments	(14,413)	(402,243)
Proceeds from beneficial interest in the assets of OCF	13,462	13,536
Proceeds from beneficial interest in trust receivable	25,000	25,000
Proceeds from sale of property and equipment	11,000	2,130
Purchase of property and equipment	(92,571)	(57,125)
	92,478	(418,702)
Net cash provided (used) by investing activities		
<b>Cash flows from financing activities</b>		
Net proceeds from line of credit	35,000	-
Payments on long-term debt	(391)	-
Proceeds from long-term debt	10,165	-
Principal payments on capital lease obligation	(1,035)	(4,147)
	43,739	(4,147)
Net cash provided (used) by financing activities		
<b>Net decrease in cash</b>	(152,705)	(455,138)
Cash, beginning of year	242,611	697,749
Cash, end of year	\$ 89,906	\$ 242,611
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 902	\$ 153

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Operations and Summary of Significant Accounting Policies**

Pearl Buck Center Incorporated (the Organization) was founded in 1953 and incorporated as a nonprofit organization in 1971. The Organization offers people with various abilities and their families quality choices and supports to achieve their goals. The Organization operates the following programs:

*Pearl Buck Preschool*

Wraparound, tuition-free program for families led by parents with cognitive challenges. Most of their children are born without disabilities, but are at high risk for acquired disabilities, abuse, and neglect. The Organization offers a unique, year-round program of specialized preschool for children ages two to five years and parenting education and case management/outreach for eligible families whose children are zero to five years of age.

*Life Enhancing Activities Program (LEAP)*

A day program of community inclusion, educational experiences, and meaningful activities for adults with intellectual and developmental disabilities. The program allows participants to achieve their individual goals, learn new skills, and develop peer relationships.

*Community Employment*

Comprehensive, personalized employment services empowering adults with intellectual and developmental disabilities to determine career goals, acquire training, secure, and retain quality, competitive employment in the community. The Organization has added *Project SEARCH*, a successful, business-led program in which students learn relevant, marketable job skills. Businesses are active partners, participating without subsidies, and program participants experience total immersion in the workplace. Program participants are on site at the business each week day for a minimum of six hours for nine months. The Organization provides consistent on-site staff for support and coordination.

*Working for a Better Life*

Adults with intellectual and developmental disabilities access multiple paid work opportunities in Pearl Buck Center's production facility to earn wages while obtaining technical and social skills essential for community employment. Businesses contract production jobs to the Organization that provide work for all skill levels.

*Supported Living Program*

In-home and community assistance with the tasks of daily living that support adults with intellectual and developmental disabilities to live in the community as independently and safely as possible.

*Pearl Buck Vocational Academy*

Pearl Buck Vocational Academy (the Academy) launched in 2017. This post-secondary education option will incorporate Employment Path services in the facility and in the community. Initially enrolling clients from the sheltered vocational program, the Academy is now open to the public after receiving state licensing. With differentiated classroom instruction, hands-on training, and internships, the Academy will address the needs of individuals, with and without disabilities, who struggle to meet their career goals in other educational environments.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Operations and Summary of Significant Accounting Policies, continued**

**Income Tax Status**

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization files required informational returns with both the U.S. federal jurisdiction and the state of Oregon.

**Recent Accounting Standard Adopted**

During the year ended June 30, 2019, Pearl Buck Center adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. The standard was applied on a retrospective basis. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the functional allocation of expenses. The June 30, 2018 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14.

**Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenue is recognized when earned and expenses are recognized when incurred. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash**

Cash consists of cash on hand and cash held in bank depository accounts.

**Accounts Receivable**

Accounts receivable consist of amounts due for production and other services for which payment was not received by the Organization by June 30, 2019 and 2018. Management periodically evaluates the collectability of receivables. Receivables are considered past due or delinquent according to contract terms. Receivables are not collateralized. The amount is shown net of an allowance of \$1,411 for the years ended June 30, 2019 and 2018. The allowance is an estimate based on historic actual write-offs of accounts receivable.



PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Operations and Summary of Significant Accounting Policies, continued**

**Investments**

Investments are stated at fair value in the statements of financial position. Fair value is measured based on quoted market prices as of the date of the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law. A portion of the investments are classified as non-current assets because the Board of Directors has designated them as a reserve.

In March 2018, the Organization moved \$401,000 of its prudent reserves into certificates of deposit with varying holding periods. This investment is considered working capital; therefore, it is not part of Board directed reserves. The balance of this working capital investment was \$258,369 and \$401,716 as of June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the total investments also included \$357,861 and \$340,030, respectively, of Board-directed reserves.

**Property and Equipment**

Property and equipment are recorded at cost. All significant acquisitions, renovations, and repairs which increase the value of an asset are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the asset are expensed in the period in which the cost is incurred. Depreciation is computed using the straight-line method over the following estimated useful lives of the property and equipment:

Buildings and improvements	10 - 39 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 10 years

**Support and Revenue**

Support and revenue consist of contract revenue from production sales contracts, governmental support received from the State of Oregon Vocational Rehabilitation Divisions and Mental Health Division (locally distributed through Lane County Developmental Disabilities Services), grants, contributions, and other support and revenue. Contract revenue from production sales contracts and governmental support contracts is recognized when the sale is made or services are provided under the terms of the contract. Contract revenue is considered to be without donor restrictions. Contribution and grant revenue is recognized when the contribution or grant is promised or made and are recorded as support that is either with or without donor restrictions. Classifications are based on the existence and nature of any donor restrictions on the contribution. Support that is restricted by the donor is reported as restricted revenue and is released to net assets without donor restrictions when the restriction is met.

**Expense Allocations**

Expenses are reported on a functional basis as program expenses and as supporting services (administrative and general and financial development) expenses. Payroll and related costs are allocated on the basis of estimates of employee time and effort. Some expenses are considered indirect expenses and require allocation on a reasonable basis that is consistently applied. Indirect expenses related to facilities are allocated on a square-footage basis. Other indirect expenses are allocated using the basis of estimates of employee time and effort. Administrative and general expenses are those that cannot be readily identified as program expenses, but provide for the overall support and direction of the Organization.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**2. Liquidity and Availability of Resources**

The Organization has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, 2019 and 2018, the Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year from the statements of financial position dates, are comprised of the following:

	2019	2018
Cash	\$ 89,906	\$ 242,611
Investments	258,369	401,716
Accounts receivable, net of allowance	244,720	361,074
Financial assets available for general expenditure	\$ 592,995	\$ 1,005,401

The Organization has access to a revolving line of credit up to \$300,000 that may be drawn upon to manage cash flow (Note 6).

Additionally, the Board of Directors has designated a portion of the Organization's net assets without donor restrictions as a board-directed reserve. The balance of the board-directed reserve at June 30, 2019 and 2018 was \$357,861 and \$340,030, respectively. The Board-directed reserve is excluded from the amounts available for general expenditure listed above, but may be undesignated by the Board at its discretion (Note 9).

**3. Property and Equipment**

As of June 30, 2019 and 2018 property and equipment consisted of the following amounts:

	2019	2018
Land	\$ 422,314	\$ 422,314
Buildings and improvements	5,196,321	5,128,312
Equipment	722,943	765,797
Vehicles	247,464	237,299
Construction in progress	-	6,792
	6,589,042	6,560,514
Accumulated depreciation	(2,137,936)	(1,975,850)
Property and equipment, net	\$ 4,451,106	\$ 4,584,664

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**4. Beneficial Interest in the Assets of The Oregon Community Foundation**

The Oregon Community Foundation (OCF) holds and manages an endowment fund for the Organization. This endowment fund is used by OCF as the source of unrestricted grants for the Organization. The agreement with OCF stipulates OCF maintains variance power over the fund and that the fund shall be held and owned by OCF. OCF may distribute, on an annual basis, a fixed percentage of the fund assets. The percentage is determined by the Board of Directors of OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of the Organization, additional distributions may be made from the fund assets, even to the exhaustion of the fund, if in the sole judgment of the Board of Directors of OCF the requested distribution is consistent with the objectives and purposes of the Organization. The following schedule summarizes the activity of this endowment fund reported at fair value for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 2,378	\$ 2,573
Realized gains	1,745	5,905
Unrealized gains	18,113	22,283
Investment management fees	(1,157)	(1,253)
The Oregon Community Foundation fees	<u>(1,609)</u>	<u>(1,611)</u>
Net change before distributions	19,470	27,897
Distributions to Pearl Buck Center Incorporated	<u>(13,462)</u>	<u>(13,536)</u>
Net increase in beneficial interest in OCF	6,008	14,361
Beginning balance	<u>322,254</u>	<u>307,893</u>
Ending balance	<u>\$ 328,262</u>	<u>\$ 322,254</u>

**5. Beneficial Interest in Trust Receivable**

In June 2010, the Organization was named as a beneficiary of an irrevocable trust. The Organization has interest in the assets held in the trust. Under the terms of the trust, the Organization will receive \$25,000 per year for 21 years and then the remainder of the assets held by the trust will be distributed to the Organization. The Organization has recorded its beneficial interest in this trust at fair value, estimated as the net present value of the estimated future amount to be received. The present value of the payments is calculated by using the remaining term of the trust and risk-adjusted discount rates of 3.34 percent as of June 30, 2019 and 2018. The receivable represents the present value of the expected future cash flows net of discounts of \$271,731 and \$298,049 at June 30, 2019 and 2018, respectively.

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**5. Beneficial Interest in Trust Receivable, continued**

The following schedule summarizes changes in the beneficial interest in trust receivable asset reported at fair value for the years ended June 30:

	2019	2018
Beginning balance	\$ 714,565	\$ 717,064
Change in value of the trust	20,945	22,501
Distributions from the trust	(25,000)	(25,000)
Ending balance	\$ 710,510	\$ 714,565

**6. Bank Line of Credit**

The Organization has a renewable revolving line of credit agreement with Umpqua Bank. The agreement was last renewed March 16, 2018, and the new maturity date is March 16, 2020. The agreement permits borrowing up to \$300,000 with interest calculated at a variable interest rate equal to the prime rate, with a floor of 4.0 percent. The rate as of June 30, 2019 was 5.5 percent. As of June 30, 2019 and 2018, the balance outstanding on the line of credit was \$35,000 and \$0-, respectively.

**7. Note Payable**

At June 30, note payable consisted of the following:

	2019	2018
Note payable to Kendall Chevrolet LLC, monthly payments of \$203, including interest at 7.29%, due April 2024, secured by a vehicle.	\$ 9,774	\$ -
Current portion	(1,775)	-
Note payable, net of current portion	\$ 7,999	\$ -

Future maturities of note payable are as follows:

Year Ending June 30	
2020	\$ 1,775
2021	1,909
2022	2,053
2023	2,208
2024	1,829
Thereafter	-
Total	\$ 9,774

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**8. Net Assets With Donor Restrictions**

As of June 30, net assets with donor restrictions were comprised of the following types of restrictions:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Purpose restrictions	\$ 111,374	\$ 42,729
Time restrictions - beneficial interest in trust receivable	710,510	714,565
Perpetual endowment	<u>11,591</u>	<u>11,591</u>
Total net assets with donor restrictions	<u>\$ 833,475</u>	<u>\$ 768,885</u>

**9. Board-directed Reserve**

A portion of the net assets without donor restrictions is managed as a Board-directed reserve. The following schedule summarizes the activity of this reserve for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends earned	\$ 7,483	\$ 6,241
Unrealized capital gain	15,346	24,730
Administrative expenses	<u>(4,998)</u>	<u>(5,714)</u>
Net increase in Board-directed reserve	17,831	25,257
Beginning balance	<u>340,030</u>	<u>314,773</u>
Ending balance	<u>\$ 357,861</u>	<u>\$ 340,030</u>

**10. Governmental Support**

For the years ended June 30, the following schedule summarizes governmental support:

	<u>2019</u>	<u>2018</u>
State of Oregon:		
Vocational Rehabilitation Division	\$ 345,245	\$ 307,834
Department of Education – USDA Child Care Food Program	13,298	14,046
Department of Human Resources – Services to Children and Families	221,089	173,115
Full Access and Mentor Oregon	1,111,836	1,297,910
E C Cares	35,141	35,192
Lane County:		
Developmental Disabilities Services	2,628,946	2,577,018
Human Services Commission	<u>50,873</u>	<u>54,064</u>
Total governmental support	<u>\$ 4,406,428</u>	<u>\$ 4,459,179</u>

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**11. 401(k) Plan**

The Organization adopted a 401(k) plan as of January 1, 1999, covering substantially all employees, except for clients. Profit sharing contributions are decided by the Board of Directors each year. There were no profit sharing contributions during the years ended June 30, 2019 and 2018. The Organization's matching contribution is based on matching 100 percent of the first 1 percent of salary deferral elected by each eligible employee. Total matching contributions were \$46,649 and \$42,978 for the years ended June 30, 2019 and 2018, respectively.

**12. Operating Leases**

The Organization has multiple operating leases for equipment and space. The leases expire at various dates through March 2024. The leases call for monthly payments between \$124 and \$8,810. Total rent expense under these leases for the years ended June 30, 2019 and 2018, was \$138,862 and \$121,901, respectively. Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 150,175
2021	134,060
2022	136,452
2023	106,090
2024	6,447
Thereafter	<u>-</u>
Total	<u>\$ 533,224</u>

**13. Fair Value Measurements**

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the Organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

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**13. Fair Value Measurements, continued**

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

At June 30, 2019, the fair value of assets measured on a recurring basis was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market mutual funds	\$ 12,713	\$ -	\$ -	\$ 12,713
Real estate securities	23,094	-	-	23,094
Fixed income taxable bonds	300,571	-	-	300,571
Common stock funds	<u>279,852</u>	<u>-</u>	<u>-</u>	<u>279,852</u>
Total investments	616,230	-	-	616,230
Beneficial interest in trust receivable	-	-	710,510	710,510
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>328,262</u>	<u>328,262</u>
Total fair value of assets measured on a recurring basis	<u>\$ 616,230</u>	<u>\$ -</u>	<u>\$ 1,038,772</u>	<u>\$ 1,655,002</u>

At June 30, 2018, the fair value of assets measured on a recurring basis was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market mutual funds	\$ 15,189	\$ -	\$ -	\$ 15,189
Real estate securities	22,452	-	-	22,452
Fixed income taxable bonds	442,702	-	-	442,702
Common stock funds	<u>261,403</u>	<u>-</u>	<u>-</u>	<u>261,403</u>
Total investments	741,746	-	-	741,746
Beneficial interest in trust receivable	-	-	714,565	714,565
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>322,254</u>	<u>322,254</u>
Total fair value of assets measured on a recurring basis	<u>\$ 741,746</u>	<u>\$ -</u>	<u>\$ 1,036,819</u>	<u>\$ 1,778,565</u>

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**14. Concentrations**

*Concentration of Deposit Risk*

The Organization holds cash in two financial institutions. The accounts are insured up to certain limits by the Federal Deposit Insurance Corporation (FDIC). Balances held may periodically exceed federally insured limits. At June 30, 2019 and 2018, deposits in excess of FDIC insurance limits were \$-0-.

*Concentration of Credit Risk*

A substantial portion of the Organization's accounts receivable are due from a concentrated number of business and local and state government agencies. At June 30, 2019 and 2018, receivables from three and five business and governmental agencies comprised 69 percent and 78 percent, respectively, of total accounts receivable. At June 30, 2019, the grant receivable was comprised entirely of an amount due from one grantor.

**15. Reclassification**

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation. Such reclassifications have no effect on previously reported net assets or change in net assets.

**16. Subsequent Events**

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.