



FINANCIAL STATEMENTS

For the Year Ended June 30, 2020



PEARL BUCK CENTER INCORPORATED
FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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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 statement of financial position as of June 30, 2020 and the related statement of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jones & Roth P.C.".

Jones & Roth, P.C.
Eugene, Oregon
November 2, 2021

FINANCIAL STATEMENTS

PEARL BUCK CENTER INCORPORATED
STATEMENT OF FINANCIAL POSITION
June 30, 2020

Assets

Current assets

Cash	\$ 1,596,648
Accounts receivable, net of allowance	245,450
Grants receivable	8,500
Prepaid expenses	6,613
Inventories	43,291
Beneficial interest in trust receivable, current portion	<u>25,000</u>

Total current assets 1,925,502

Property and equipment, net

4,119,321

Other assets

Investments, Board-directed reserve	373,320
Unconditional promises to give, net of current portion	3,050
Beneficial interest in trust receivable, long-term	692,239
Beneficial interest in the assets of Oregon Community Foundation (OCF)	<u>313,382</u>

Total other assets 1,381,991

Total assets

\$ 7,426,814

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 143,837
Accrued payroll and related expenses	83,290
Compensated absences payable	79,789
Current portion of note payable	<u>2,235</u>
 Total current liabilities	 309,151

Non-current liabilities

Paycheck Protection Program loan	650,000
Notes payable, net of current portion	<u>20,782</u>

Total non-current liabilities 670,782

Total liabilities 979,933

Net assets

Without donor restrictions	5,667,677
With donor restrictions	<u>779,204</u>

Total net assets 6,446,881

Total liabilities and net assets **\$ 7,426,814**

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Revenue, gains, and other support:			
Governmental contract revenue	\$ 4,057,600	\$ -	\$ 4,057,600
Grants and contributions	417,625	239,426	657,051
Production income	480,981	-	480,981
Change in beneficial interest in trust receivable	-	34,106	34,106
Gain on investments, net	5,590	-	5,590
Interest and dividends	13,115	-	13,115
Change in beneficial interest in the assets of OCF	(1,252)	-	(1,252)
Miscellaneous revenues	149,862	-	149,862
Loss on disposal of property and equipment	(103,916)	-	(103,916)
Net assets released from restrictions	327,803	(327,803)	-
Total revenue, gains, and other support	5,347,408	(54,271)	5,293,137
Expenses			
Program services:			
Production Services	483,658	-	483,658
Community Employment	1,202,952	-	1,202,952
Supported Living Program	517,305	-	517,305
Project SEARCH	278,079	-	278,079
LEAP (Life Enhancing Activities Program)	355,889	-	355,889
Pearl Buck Preschool	362,312	-	362,312
Family Support	222,651	-	222,651
Vocational Academy	457,741	-	457,741
Support services:			
Administrative and general	1,028,311	-	1,028,311
Financial development	205,080	-	205,080
Total expenses	5,113,978	-	5,113,978
Change in net assets	233,430	(54,271)	179,159
Net assets, beginning of year	5,434,247	833,475	6,267,722
Net assets, end of year	\$ 5,667,677	\$ 779,204	\$ 6,446,881

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services								Support Services			
	Production Services	Community Employment	Supported Living	Project SEARCH	LEAP	Pearl Buck Preschool	Family Support	Pearl Buck Vocational Academy	Total Program Services	Administrative and General	Financial Development	Total
Payroll and related expenses:												
Salaries and wages	\$ 191,609	\$ 798,443	\$ 321,332	\$ 163,636	\$ 220,437	\$ 172,676	\$ 148,939	\$ 274,218	\$ 2,291,290	\$ 628,677	\$ 131,962	\$ 3,051,929
Payroll taxes and benefits	84,975	269,928	79,215	52,104	84,065	71,712	34,199	88,893	765,091	182,866	36,040	983,997
Total payroll and related expenses	276,584	1,068,371	400,547	215,740	304,502	244,388	183,138	363,111	3,056,381	811,543	168,002	4,035,926
Advertising, marketing, and public relations	570	307	149	148	149	148	352	148	1,971	101	-	2,072
Bad debt expense	47,001	-	-	-	-	4,237	-	-	51,238	-	225	51,463
Buildings and equipment maintenance and janitorial	4,674	487	182	40	1,345	3,386	871	3,646	14,631	6,037	491	21,159
Conferences, meetings, and training	418	5,315	3,014	1,223	590	2,463	1,470	1,445	15,938	7,666	525	24,129
Dues, fees, and licenses	8,031	3,698	3,607	4,057	2,983	1,552	153	7,023	31,104	53,809	1,410	86,323
First aid and safety	275	172	423	-	62	550	-	128	1,610	1,006	-	2,616
Fundraising events and other	-	-	-	-	-	-	-	-	-	-	11,282	11,282
In-kind supplies and miscellaneous	-	-	-	384	1,580	-	-	100	2,064	4,417	4,236	10,717
Insurance	4,130	2,156	2,026	1,965	7,832	2,573	2,589	5,985	29,256	14,004	2,338	45,598
Interest expense	41	383	161	29	26	50	76	57	823	1,179	34	2,036
Office printing and postage	230	755	3,436	628	-	1,033	561	554	7,197	2,789	4,464	14,450
Professional fees	1,918	1,010	772	661	657	79	82	690	5,869	34,741	37	40,647
Rental expense	25,368	36,718	36,718	36,718	1,477	1,771	2,431	1,520	142,721	4,458	987	148,166
Supplies - office and program	12,767	4,680	7,700	2,723	3,967	12,079	4,402	3,665	51,983	23,333	1,956	77,272
Telephone	3,004	16,281	11,676	6,230	2,214	2,496	3,377	2,022	47,300	5,621	2,036	54,957
Transportation contract and vehicle expenses	5,159	47,839	40,658	3,064	503	44,774	5,015	603	147,615	1,807	175	149,597
Utilities	11,123	806	301	66	5,191	9,327	3,244	13,890	43,948	7,296	1,439	52,683
Other expenses	19,946	8,279	2,129	741	364	1,165	4,135	7,497	44,256	19,306	1,032	64,594
Small tools and equipment	448	131	194	50	186	12	19	14	1,054	2,281	77	3,412
Client employee training	290	1,142	-	-	-	-	-	-	1,432	-	-	1,432
Depreciation	61,681	4,422	3,612	3,612	22,261	30,229	10,736	45,643	182,196	26,917	4,334	213,447
Total functional expenses	\$ 483,658	\$ 1,202,952	\$ 517,305	\$ 278,079	\$ 355,889	\$ 362,312	\$ 222,651	\$ 457,741	\$ 3,880,587	\$ 1,028,311	\$ 205,080	\$ 5,113,978

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flows from operating activities

Change in net assets	\$ 179,159
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	213,447
Realized and unrealized gain on investments	(5,590)
Net loss on disposal of property and equipment	103,916
Net change in beneficial interest in the assets of OCF	1,252
Net change in beneficial interest in trust receivable	(34,106)
(Increase) decrease in:	
Accounts receivable, net of allowance	(730)
Grants receivable	61,500
Prepaid expenses	38,795
Inventories	10,722
Unconditional promises to give	1,000
Increase (decrease) in:	
Accounts payable and accrued expenses	121,268
Accrued payroll and related expenses	(89,117)
Compensated absences payable	(26,944)
Net cash provided by operating activities	574,572

Cash flows from investing activities

Proceeds from sale of investments	251,328
Purchases of investments	(2,828)
Proceeds from beneficial interest in the assets of OCF	13,628
Proceeds from beneficial interest in trust receivable	27,377
Proceeds from sale of property and equipment	28,225
Purchase of property and equipment	(13,803)
Net cash provided by investing activities	303,927

Cash flows from financing activities

Net payments on line of credit	(35,000)
Payments on notes payable	(1,757)
Proceeds from notes payable	15,000
Proceeds from Paycheck Protection Program loan	650,000
Net cash provided by financing activities	628,243

Net increase in cash

Cash, beginning of year	89,906
Cash, end of year	\$ 1,596,648

Supplemental disclosure of cash flow information

Cash paid for interest	\$ 2,036
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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:

Production Services – Working for a Better Life

Adults with intellectual and developmental disabilities access multiple paid work opportunities in the Organization'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. This service was phased out due to state policies in March 2020.

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. Businesses are active partners, participating without subsidies, and program participants experience total immersion in the workplace. The Organization provides job coaches as needed on-site for support and coordination.

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. This includes such activities as support in purchasing goods and services, including health related needs.

Project SEARCH

This nationally acclaimed nine-month internship program provides employability training and education for individuals with cognitive disabilities. The program occurs in partnership with a business which has the commitment to support people with disabilities in the workplace. These internships are 5 days a week for 9 months and include work hours and classroom training. Instructors are on site the entire length of the program.

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.

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.

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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

Family Support

Raising a family is challenging under the best circumstances. In addition to our preschool program, we use a home-based approach to help parents with cognitive challenges develop their skills in all areas of parenting. We support parents with cognitive challenges to build self-esteem and resilience so they can continue to succeed after they leave our program. Parental resilience has been shown to decrease child abuse and neglect.

Pearl Buck Vocational Academy

Pearl Buck Vocational Academy (the Academy) launched in 2017. This post-secondary education option incorporates Employment Path services in the facility and in the community. Including paid work on a limited basis. With differentiated classroom instruction, hands-on training, and internships, the Academy will address the needs of individuals who struggle to meet their career goals in other educational environments.

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, 2020, the Organization adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08: *Not-for-Profit Entities* to clarify the scope and accounting guidance for contributions made and received. ASU No. 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions. The standard effectively excludes contribution from the requirements of ASU No. 2014-09 *Revenue from Contracts with Customers* (Topic 606) and related subsequently issued clarifying ASUs. The Organization adopted the new standard effective July 1, 2019, using a modified prospective approach in these financial statements. No change to previously recognized revenue or net assets was required as the result of adopting the new standard. The effective date for ASU No. 2014-09 was delayed pursuant to ASU 2020-05 which delayed the required implementation date for the Organization to July 1, 2020. The Organization did not elect to early adopt ASU No. 2014-09 during the year ended June 30, 2019.

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.

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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

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 and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include savings, checking accounts and money market funds held in bank depository and investment portfolio 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, 2020. 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 \$48,412 for the year ended June 30, 2020. The allowance is an estimate based on historic actual write-offs of accounts receivable and direct identification of possible uncollectible amounts.

Investments

Investments are stated at fair value in the statement of financial position. Fair value is measured based on quoted market prices as of the date of the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement 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.

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

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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

Support and Revenue

Governmental contract revenue – Governmental contract revenue is received from the State of Oregon Vocational Rehabilitation Divisions and Mental Health Division (locally distributed through Lane County Developmental Disabilities Services) under the terms of underlying contracts. Revenue is recognized when the services are provided by the Organization.

Grants and contributions – Grant and contribution revenue is recognized the earlier of when the grant or contribution is unconditionally promised or received. Grants and contributions 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.

Production income – Production income is generated from production sales contracts and is recognized when the sale is made or services are provided under the terms of the underlying contract.

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.

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, 2020, 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 date, are comprised of the following:

Cash	\$ 1,596,648
Receivables	<u>253,950</u>
	1,850,598
Less amounts with donor imposed purpose restrictions	<u>(50,374)</u>
Financial assets available for general expenditure	<u>\$ 1,800,224</u>

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, 2020 was \$373,320. 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 10).

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment

As of June 30, 2020, property and equipment consisted of the following amounts:

Land	\$ 422,314
Buildings and improvements	5,196,321
Equipment	502,913
Vehicles	227,916
Construction in progress	<u>5,174</u>
	6,354,638
Accumulated depreciation	<u>(2,235,317)</u>
Property and equipment, net	<u>\$ 4,119,321</u>

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 manages the fund to meet the return objectives and risk parameters of the Organization. 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 year ended June 30:

Interest and dividends	\$ 2,230
Realized gains	1,238
Unrealized losses	(1,777)
Investment management fees	(1,312)
The Oregon Community Foundation fees	<u>(1,631)</u>
Net change before distributions	(1,252)
Distributions to Pearl Buck Center	<u>(13,628)</u>
Net decrease in beneficial interest in OCF	(14,880)
Beginning balance	<u>328,262</u>
Ending balance	<u>\$ 313,382</u>

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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 rate of 3.34 percent as of June 30, 2020. The receivable represents the present value of the expected future cash flows net of discounts of \$253,691 at June 30, 2020.

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

Beginning balance	\$ 710,510
Change in value of the trust	34,106
Distributions from the trust	<u>(27,377)</u>
Ending balance	<u>\$ 717,239</u>

6. Bank Line of Credit

The Organization had a renewable revolving line of credit agreement with Umpqua Bank. The agreement was last renewed March 16, 2018 and had a maturity date of March 16, 2020. When the line of credit expired in March 2020, it was not renewed.

7. Notes Payable

At June 30, notes payable consisted of the following:

Note payable to Kendall Chevrolet LLC, monthly payments of \$203, including interest at 7.29%, matures April 2024, secured by a vehicle.	\$ 8,017
Note payable to U.S. Small Business Administration under the Economic Injury Disaster Loan program, monthly payments of \$61, including interest at 2.75%, matures June 2050, unsecured.	<u>15,000</u>
Current portion	<u>23,017</u> <u>(2,235)</u>
Notes payable, net of current portion	<u>\$ 20,782</u>

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

7. Notes Payable, continued

Future maturities of the above listed notes payable are as follows:

Year Ending June 30	
2021	\$ 2,235
2022	2,389
2023	2,553
2024	2,202
2025	364
Thereafter	13,274
Total	\$ 23,017

8. Paycheck Protection Program Loan

In April 2020, the Organization applied for and was awarded a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) through Umpqua Bank. The Organization was approved for a loan in the amount of \$650,000 as evidenced by a promissory note dated April 22, 2020. The loan accrues interest at a rate of 1.00 percent (simple interest). The loan is unsecured.

The CARES Act and the provisions of the loan agreement state that The Organization may apply to the lender and the U.S. Small Business Administration (SBA) for forgiveness of the loan in the amount equal to the sum of eligible costs incurred as defined in the CARES Act and the loan agreement.

Subsequent to year end, the Organization applied for and was granted full forgiveness of the PPP loan by Umpqua Bank and the SBA in March 2021.

Subsequent to year end, the Organization applied for a round 2 PPP loan and was approved by Umpqua Bank for a loan in the amount of \$735,000 with the same terms as the first PPP loan. The second round PPP loan was fully forgiven and paid in full by the SBA in October 2021.

9. Net Assets With Donor Restrictions

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

Net assets with donor restrictions:	
Purpose restrictions	\$ 50,374
Time restrictions - beneficial interest in trust receivable	717,239
Perpetual endowment	11,591
Total net assets with donor restrictions	\$ 779,204

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

10. 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:

Interest and dividends earned	\$ 7,724
Unrealized capital gain	12,745
Administrative expenses	<u>(5,010)</u>
Net increase in Board-directed reserve	15,459
Beginning balance	<u>357,861</u>
Ending balance	<u><u>\$ 373,320</u></u>

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, 2020. The Organization's matching contribution is based on matching 100 percent of the first 3 percent of salary deferral elected by each eligible employee. Total matching contributions were \$34,784 for the year ended June 30, 2020.

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 year ended June 30, 2020, was \$145,975.

Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 134,060
2022	137,583
2023	107,024
2024	<u>6,588</u>
Total	<u><u>\$ 385,255</u></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.

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

13. Fair Value Measurements, continued

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.

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, 2020, 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:				
Real estate securities	\$ 18,177	\$ -	\$ -	\$ 18,177
Fixed income taxable bonds	50,365	-	-	50,365
Equity securities	<u>304,778</u>	<u>-</u>	<u>-</u>	<u>304,778</u>
Total investments	373,320	-	-	373,320
Beneficial interest in trust receivable	-	-	717,239	717,239
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>313,382</u>	<u>313,382</u>
Total fair value of assets measured on a recurring basis	<u>\$ 373,320</u>	<u>\$ -</u>	<u>\$ 1,030,622</u>	<u>\$ 1,403,941</u>

The following is a description of the valuation methodologies used for assets measured at fair value.

Investments – Valued based on the trading price for identical assets on actively traded markets.

Beneficial interest in trust receivable – Valued at the net present value of the expected future cash flows using discount rate of 3.34 percent.

Beneficial interest in the assets of OCF – Valued at the net present value of the estimated amount to be received from such assets based on the value provided by OCF.

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14. Concentrations

Concentration of Deposit Risk

The Organization holds cash and cash equivalents the bank balances of which are insured up to certain limits by the Federal Deposit Insurance Corporation (FDIC). Balances held may periodically exceed federally insured limits. At June 30, 2020, deposits in excess of FDIC insurance limits were \$1,177,221.

Concentration of Credit Risk

A substantial portion of the Organization's accounts receivable are due from a concentrated number of businesses and local and state government agencies. At June 30, 2020, receivables from one business and one government agency comprised approximately 83 percent of total gross accounts receivable.

15. Contingencies

The building owned by the Organization will require some repairs to be completed in phases over the next several years. The total estimated cost of these repairs is \$260,000. The first phase of repairs will be completed during the fiscal year ending June 30, 2022 and is estimated to cost \$110,000. The Organization is applying for grant funding to help fund the cost of the repairs.

16. Economic Uncertainties

As a result of the COVID-19 coronavirus pandemic, the Organization was required to temporarily close several programs and reduce the program activities for some programs. The programs began to reopen in July 2020. The Organization also obtained a Paycheck Protection Program loan (Note 8) and an Emergency Injury Disaster Loan (Note 7). As of the date of the independent auditor's report, there still exists certain economic uncertainties related to the COVID-19 coronavirus pandemic. These continuing uncertainties have the potential to result in a significant impact to the Organization's future financial condition and operating results; however, any such future financial impact and duration of such impact cannot be reasonably estimated at this time.

17. 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. See Note 8.