



FINANCIAL STATEMENTS

For the Year Ended June 30, 2022



PEARL BUCK CENTER INCORPORATED
FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Pearl Buck Center Incorporated (a nonprofit organization), which comprise the statement of financial position as June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pearl Buck Center Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pearl Buck Center Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pearl Buck Center Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pearl Buck Center Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jones & Roth, P.C.
Eugene, Oregon
December 1, 2022

FINANCIAL STATEMENTS

PEARL BUCK CENTER INCORPORATED
STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Current assets

Cash	\$ 1,794,227
Accounts receivable, net of allowance	294,508
Pledge receivables	500
Prepaid expenses	37,642
Inventories	35,578
Beneficial interest in trust receivable, current portion	<u>25,000</u>

Total current assets 2,187,455

Property and equipment, net

3,989,763

Other assets

Cash equivalents, Board-directed reserve	36,204
Investments, Board-directed reserve	417,026
Assets held in trust for others	35,797
Beneficial interest in trust receivable, long-term	685,733
Beneficial interest in the assets of Oregon Community Foundation (OCF)	<u>377,814</u>

Total other assets 1,552,574

Total assets

\$ 7,729,792

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 138,077
Accrued payroll and related expenses	121,649
Compensated absences payable	<u>66,251</u>

Total current liabilities 325,977

Non-current liabilities

Funds held in trust	<u>35,796</u>
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Total liabilities 361,773

Net assets

Without donor restrictions:	
Invested in property and equipment, net	3,989,763
Board-directed reserve	453,230
Undesignated	<u>2,008,785</u>

Total without donor restrictions 6,451,778

With donor restrictions	<u>916,241</u>
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Total net assets 7,368,019

Total liabilities and net assets \$ 7,729,792

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Revenue, gains, and other support:			
Governmental contract revenue	\$ 2,586,398	\$ -	\$ 2,586,398
Grants and contributions	143,754	517,948	661,702
Contributions of goods and services	-	24,480	24,480
Production income	64,099	-	64,099
Loss on investments, net	(100,991)	-	(100,991)
Interest and dividend income	10,212	-	10,212
Change in beneficial interest in trust receivable	-	(116,742)	(116,742)
Change in beneficial interest in the assets of OCF	(22,299)	-	(22,299)
Miscellaneous revenue	86,857	-	86,857
Net assets released from restrictions	<u>458,634</u>	<u>(458,634)</u>	<u>-</u>
Total revenue, gains, and other support	<u>3,226,664</u>	<u>(32,948)</u>	<u>3,193,716</u>
Expenses			
Program services:			
Production Services	100,856	-	100,856
Community Employment	937,752	-	937,752
Supported Living Program	527,719	-	527,719
Project SEARCH	239,703	-	239,703
LEAP (Life Enhancing Activities Program)	189,522	-	189,522
Pearl Buck Preschool	338,355	-	338,355
Family Support	222,389	-	222,389
Vocational Academy	<u>295,138</u>	<u>-</u>	<u>295,138</u>
Total program services	<u>2,851,434</u>	<u>-</u>	<u>2,851,434</u>
Support services:			
Administrative and general	954,993	-	954,993
Financial development	<u>176,255</u>	<u>-</u>	<u>176,255</u>
Total support services	<u>1,131,248</u>	<u>-</u>	<u>1,131,248</u>
Total expenses	<u>3,982,682</u>	<u>-</u>	<u>3,982,682</u>
Change in net assets	(756,018)	(32,948)	(788,966)
Net assets, beginning of year	<u>7,207,796</u>	<u>949,189</u>	<u>8,156,985</u>
Net assets, end of year	<u>\$ 6,451,778</u>	<u>\$ 916,241</u>	<u>\$ 7,368,019</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, 2022

	Program Services											
	Production Services	Community Employment	Supported Living	Project SEARCH	LEAP	Pearl Buck Preschool	Family Support	Pearl Buck Vocational Academy	Total Program Services	Support Services		Total
										Administrative and General	Financial Development	
Payroll and related expenses:												
Salaries and wages	\$ 39,769	\$ 565,000	\$ 288,839	\$ 135,152	\$ 143,433	\$ 185,060	\$ 137,852	\$ 212,651	\$ 1,707,756	\$ 584,253	\$ 117,364	\$ 2,409,373
Payroll taxes and benefits	13,477	172,363	86,251	31,924	23,767	72,350	41,158	52,116	493,406	114,143	27,210	634,759
Total payroll and related expenses	53,246	737,363	375,090	167,076	167,200	257,410	179,010	264,767	2,201,162	698,396	144,574	3,044,132
Advertising, marketing, and public relations	342	2,498	1,141	488	281	901	546	537	6,734	1,914	6,691	15,339
Buildings and equipment maintenance and janitorial	951	6,735	3,323	1,531	983	4,142	2,125	1,780	21,570	5,152	725	27,447
Conferences, meetings, and training	622	7,098	3,782	4,611	1,087	2,669	3,622	1,172	24,663	4,847	559	30,069
Dues, fees, and licenses	3,211	6,283	2,950	2,062	973	2,870	2,303	1,431	22,083	50,631	4,665	77,379
Fundraising events and other	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	1,373	9,648	4,573	1,908	1,091	2,931	2,050	1,911	25,485	14,370	1,078	40,933
Interest expense	-	-	-	-	-	-	-	-	-	716	-	716
Office printing and postage	3,104	1,701	833	263	93	1,585	1,320	292	9,191	1,084	1,947	12,222
Professional fees	87	-	-	-	164	3,864	2,549	126	6,790	93,888	-	100,678
Rental expense	3,097	40,068	38,563	37,838	872	846	846	1,095	123,225	2,737	869	126,831
Supplies - office and program	8,040	5,036	2,797	1,504	1,186	10,182	1,319	1,357	31,421	4,250	1,078	36,749
Telephone	700	15,938	9,060	3,028	923	3,354	2,375	1,717	37,095	4,938	764	42,797
Transportation contract and vehicle expenses	362	19,092	39,818	743	333	3,042	3,497	527	67,414	1,665	330	69,409
Utilities	1,953	13,719	6,503	2,713	1,552	4,168	2,915	2,717	36,240	8,279	1,534	46,053
Expense paid on behalf of clients	-	-	-	-	-	-	-	-	-	-	-	-
In-kind expense	-	202	96	40	23	17,549	1,825	40	19,775	-	-	19,775
Other expenses	8,100	2,390	6,323	1,402	1,121	4,079	4,846	1,378	29,639	14,578	4,611	48,828
Small tools and equipment	378	4,602	1,990	2,091	1,515	2,432	306	1,235	14,549	4,165	1,042	19,756
Bad debt expense	-	12,436	5,335	1,058	536	-	-	1,121	20,486	-	-	20,486
Depreciation	15,290	52,943	25,542	11,347	9,589	16,331	10,935	11,935	153,912	43,383	5,788	203,083
Total functional expenses	\$ 100,856	\$ 937,752	\$ 527,719	\$ 239,703	\$ 189,522	\$ 338,355	\$ 222,389	\$ 295,138	\$ 2,851,434	\$ 954,993	\$ 176,255	\$ 3,982,682

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

Cash flows from operating activities

Change in net assets	\$ (788,966)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	203,083
Realized and unrealized loss on investments	100,991
Net change in beneficial interest in the assets of OCF	22,299
Net change in beneficial interest in trust receivable	116,742
Donated securities	(10,702)
(Increase) decrease in:	
Assets held for others	(35,797)
Accounts receivable, net of allowance	(32,053)
Pledge receivables	(500)
Prepaid expenses	(14,953)
Inventories	7,260
Increase (decrease) in:	
Accounts payable and accrued expenses	98,715
Accrued payroll and related expenses	10,385
Compensated absences payable	(23,688)
Assets held for others	<u>35,797</u>
Net cash used by operating activities	<u>(311,387)</u>

Cash flows from investing activities

Proceeds from sale of investments	12,317
Proceeds from beneficial interest in the assets of OCF	14,260
Proceeds from beneficial interest in trust receivable	36,632
Purchase of property and equipment	<u>(211,538)</u>
Net cash used by investing activities	<u>(148,329)</u>

Net decrease in cash and cash equivalents

(459,716)

Cash and cash equivalents, beginning of year	<u>2,290,147</u>
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Cash and cash equivalents, end of year	<u>\$ 1,830,431</u>
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Supplemental disclosure of cash flow information

Cash paid for interest	<u>\$ 716</u>
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Reconciliation of cash and cash equivalents

Cash	\$ 1,794,227
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Cash equivalents, Board-directed reserve	<u>36,204</u>
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Total cash and cash equivalents per statement of cash flows	<u>\$ 1,830,431</u>
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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:

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 intellectual or developmental 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.

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 CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

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

Pearl Buck Vocational Academy

This program features workplace skills, which emphasize the key elements of being a good employee for all vocational opportunities, life skills, self-care practices, or other enrichment topics as needed to build student success. Students in the Academy also participate in specialized program instruction in functional academics, such as reading/writing and math skills. All programs of study include learning labs and enrichment activities. All students create a portfolio to outline their accomplishments and to provide information on what they would need to be successful in integrated community employment. Each has the opportunity to work in a local for-profit business that provides wages and structured work.

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.

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.

Recent Accounting Standard Adopted

During the year ended June 30, 2022, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07 Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 increased the transparency of contributed nonfinancial assets for not-for-profit entities through changes to presentation and disclosure. The new standard requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities. The new standard also requires a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category, along with the use, restrictions, and valuation techniques for each category. The Organization adopted the new standard effective July 1, 2021, using the full retrospective approach.

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, 2022. Management periodically evaluates the collectability of receivables. Receivables are considered past due or delinquent according to contract terms. Receivables are not collateralized. Receivables are presented at their estimated net realizable value. An allowance for doubtful collections may be established based on management's estimate of collections based on historic actual write-offs of accounts receivable and management's analysis of outstanding balances due. As of June 30, 2022, management considers the receivables fully collectible; therefore, no allowance has been recorded. The accounts receivable balance, net of the allowance, at the beginning of the year was \$262,455.

Investments

Investments are stated at fair value in the statement of financial position. Fair value is measured based on quoted market prices for identical assets on an active market (Level 1 inputs) 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 at the point in time in which services are provided by the Organization, which is considered satisfaction of the performance obligation. The amount of revenue recognized is based on set contract prices. There are no elements of variable consideration for the Organization's contracts.

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.

Contributions of non-financial assets – The Organization recognizes contribution revenue for donated goods and certain donated services. Donated services are recognized in the financial statements if the services require specialized skill, are provided by individuals or organizations possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are utilized, not monetized, by the Organization. Donated goods and services are valued at the estimated fair market value at the time of donation.

Production income – Production income is generated from production sales contracts and is recognized at the point in time in which the sale is made or services are provided under the terms of the underlying contract which is considered satisfaction of the performance obligation. The amount of revenue recognized is based on set contract prices. There are no elements of variable consideration for the Organization's contracts.

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.

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.

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, 2022, the Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year from the statement of financial position date, are comprised of the following:

Cash	\$ 1,794,227
Receivables	<u>295,008</u>
	2,089,235
Less amounts with donor-imposed purpose restrictions	<u>(193,917)</u>
Financial assets available for general expenditure	<u>\$ 1,895,318</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, 2022 was \$453,230. 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 8).

3. Property and Equipment

As of June 30, 2022 property and equipment consisted of the following amounts:

Land	\$ 422,314
Buildings and improvements	5,235,729
Equipment	478,782
Vehicles	227,916
Construction in progress	<u>244,177</u>
	6,608,918
Accumulated depreciation	<u>(2,619,155)</u>
Property and equipment, net	<u>\$ 3,989,763</u>

4. Beneficial Interest in the Assets of Oregon Community Foundation

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.

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

4. Beneficial Interest in the Assets of Oregon Community Foundation, continued

The following schedule summarizes the activity of this endowment fund reported at fair value for the year ended June 30, 2022.

Interest and dividends	\$ 2,577
Realized gains	8,195
Unrealized losses	(29,690)
Investment management fees	(1,288)
Oregon Community Foundation fees	<u>(2,093)</u>
Net change before distributions	(22,299)
Distributions to Pearl Buck Center	<u>(14,260)</u>
Net decrease in beneficial interest in OCF	(36,559)
Beginning balance	<u>414,373</u>
Ending balance	<u>\$ 377,814</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 in 2031. 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, 2022. The receivable represents the present value of the expected future cash flows net of discounts of \$205,522 at June 30, 2022.

The following schedule summarizes changes in the beneficial interest in trust receivable asset reported at fair value for the year ended June 30, 2022:

Beginning balance	\$ 864,107
Change in value of the trust	(116,742)
Distributions from the trust	<u>(36,632)</u>
Ending balance	<u>\$ 710,733</u>

6. Assets Held for Others

The Organization collects and holds social security and other funds in trust accounts on behalf of their clients. The Organization has a fiduciary responsibility to distribute the funds to support basic client needs. The funds are segregated into a separate restricted bank account and an offsetting payable is recorded to reflect the liability due to the clients. Total assets held for others in trust accounts was \$35,797, as of June 30, 2022.

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

7. Net Assets With Donor Restrictions

As of June 30, 2022 net assets with donor restrictions were comprised of the following types of restrictions:

Use/purpose restrictions (temporary)	\$ 904,650
Perpetual endowment	<u>11,591</u>
Total net assets with donor restrictions	<u>\$ 916,241</u>

8. 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 year ended June 30, 2022:

Deposits to (withdrawals from) Board-directed reserve	\$ -
Investment losses, net	<u>(80,454)</u>
Net decrease in Board-directed reserve	(80,454)
Beginning balance	<u>533,684</u>
Ending balance	<u>\$ 453,230</u>

9. 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 year ended June 30, 2022. 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 \$27,103 for the year ended June 30, 2022.

10. 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 \$9,303. Total rent expense under these leases for the year ended June 30, 2022, was \$126,831.

Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 106,025
2024	<u>6,588</u>
Total	<u>\$ 112,613</u>

PEARL BUCK CENTER INCORPORATED
NOTES TO FINANCIAL STATEMENTS

11. 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.

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.

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, which are considered Level 1 valuation techniques.

Beneficial interest in trust receivable – Valued at the net present value of the expected future cash flows using discount rate of 3.34 percent, which are considered Level 3 valuation techniques.

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 which manages the funds and holds variance power over the funds, which are considered Level 3 valuation techniques.

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NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements, continued

At June 30, 2022, 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	\$ 27,413	\$ -	\$ -	\$ 27,413
Fixed income taxable bonds	65,214	-	-	65,214
Equity securities	<u>324,399</u>	<u>-</u>	<u>-</u>	<u>324,399</u>
Total investments	417,026	-	-	417,026
Beneficial interest in trust receivable	-	-	710,733	710,733
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>377,814</u>	<u>377,814</u>
Total fair value of assets measured on a recurring basis	<u>\$ 417,026</u>	<u>\$ -</u>	<u>\$ 1,088,547</u>	<u>\$ 1,505,573</u>

12. 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, 2022, deposits in excess of FDIC insurance limits were \$1,280,083.

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, 2022, receivables from one governmental agency comprised approximately 78 percent of total gross accounts receivable.

13. Contingencies

The building owned by the Organization will require some repairs to be completed in phases over the next year. The total estimated costs of these repairs are \$260,000. The first phase of repairs began during the fiscal year ended June 30, 2022. As of June 30, 2022, estimated cost for the remainder of the project is \$156,376.