



**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**



PEARL BUCK CENTER INCORPORATED  
FINANCIAL STATEMENTS  
For the Years Ended June 30, 2023 and 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 statements of financial position as June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, 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.

### Basis for Opinion

We conducted our audits 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  
October 23, 2024

## FINANCIAL STATEMENTS

PEARL BUCK CENTER INCORPORATED  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 798,623	\$ 1,794,227
Receivables, net	434,390	295,008
Prepaid expenses	65,807	37,642
Inventories	843	35,578
Beneficial interest in trust receivable, current portion	<u>25,000</u>	<u>25,000</u>
Total current assets	<u>1,324,663</u>	<u>2,187,455</u>
<b>Property and equipment, net</b>	<u>3,995,521</u>	<u>3,989,763</u>
<b>Other assets</b>		
Cash equivalents, Board-directed reserve	51,569	36,204
Investments, Board-directed reserve	458,485	417,026
Assets held in trust for others	36,179	35,797
Beneficial interest in trust receivable, long-term	718,138	685,733
Beneficial interest in the assets of Oregon Community Foundation (OCF)	<u>384,356</u>	<u>377,814</u>
Total other assets	<u>1,648,727</u>	<u>1,552,574</u>
<b>Total assets</b>	<u>\$ 6,968,911</u>	<u>\$ 7,729,792</u>

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 78,524	\$ 138,077
Accrued payroll and related expenses	37,025	121,649
Compensated absences payable	57,321	66,251
Other current liabilities	<u>22,000</u>	<u>-</u>
Total current liabilities	194,870	325,977
<b>Non-current liabilities</b>		
Funds held in trust	<u>36,178</u>	<u>35,796</u>
Total liabilities	<u>231,048</u>	<u>361,773</u>
<b>Net assets</b>		
Without donor restrictions:		
Invested in property and equipment, net	3,995,521	3,989,763
Board-directed reserve	510,054	453,230
Undesignated	<u>1,425,235</u>	<u>2,008,785</u>
Total without donor restrictions	<u>5,930,810</u>	<u>6,451,778</u>
With donor restrictions	807,053	916,241
Total net assets	<u>6,737,863</u>	<u>7,368,019</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 6,968,911</u></u>	<u><u>\$ 7,729,792</u></u>

The accompanying notes are an integral part of these statements.

PEARL BUCK CENTER INCORPORATED  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Revenue, gains, and other support:			
Governmental contract revenue	\$ 2,497,384	\$ -	\$ 2,497,384
Fee for service and production income	93,616	-	93,616
Grants and contributions	551,821	160,028	711,849
Contributions of goods and services	12,600	34,846	47,446
Gain on investments, net	31,319	-	31,319
Interest and dividend income	19,807	-	19,807
Change in beneficial interest in trust receivable	-	57,405	57,405
Change in beneficial interest in the assets of OCF	21,612	-	21,612
Miscellaneous revenue	109,640	-	109,640
Net assets released from restrictions	361,467	(361,467)	-
Total revenue, gains, and other support	<u>3,699,266</u>	<u>(109,188)</u>	<u>3,590,078</u>
<b>Expenses</b>			
Program services:			
Production Services	40,572	-	40,572
Community Employment	880,703	-	880,703
Supported Living Program	435,848	-	435,848
Project SEARCH	174,174	-	174,174
LEAP (Life Enhancing Activities Program)	224,170	-	224,170
Pearl Buck Preschool	444,913	-	444,913
Family Support	216,374	-	216,374
Vocational Academy	284,504	-	284,504
Total program services	<u>2,701,258</u>	<u>-</u>	<u>2,701,258</u>
Support services:			
Administrative and general	1,312,105	-	1,312,105
Financial development	206,871	-	206,871
Total support services	<u>1,518,976</u>	<u>-</u>	<u>1,518,976</u>
Total expenses	<u>4,220,234</u>	<u>-</u>	<u>4,220,234</u>
<b>Change in net assets</b>	(520,968)	(109,188)	(630,156)
Net assets, beginning of year	<u>6,451,778</u>	<u>916,241</u>	<u>7,368,019</u>
<b>Net assets, end of year</b>	<u>\$ 5,930,810</u>	<u>\$ 807,053</u>	<u>\$ 6,737,863</u>

The accompanying notes are an integral part of these statements.



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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Revenue, gains, and other support:			
Governmental contract revenue	\$ 2,586,398	\$ -	\$ 2,586,398
Fee for service and production income	64,099	-	64,099
Grants and contributions	143,754	517,948	661,702
Contributions of goods and services	-	24,480	24,480
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	458,634	(458,634)	-
Total revenue, gains, and other support	<u>3,226,664</u>	<u>(32,948)</u>	<u>3,193,716</u>
<b>Expenses</b>			
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	295,138	-	295,138
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	176,255	-	176,255
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>
<b>Change in net assets</b>	(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>
<b>Net assets, end of year</b>	<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, 2023

	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	\$ -	\$ 497,997	\$ 253,072	\$ 86,433	\$ 147,548	\$ 260,294	\$ 138,173	\$ 188,112	\$ 1,571,629	\$ 645,729	\$ 117,342	\$ 2,334,700
Payroll taxes and benefits	137	154,412	60,578	24,847	37,899	66,088	29,468	49,488	422,917	149,971	20,158	593,046
Total payroll and related expenses	137	652,409	313,650	111,280	185,447	326,382	167,641	237,600	1,994,546	795,700	137,500	2,927,746
Advertising, marketing, and public relations	-	2,727	386	836	214	2,222	378	273	7,036	5,615	1,092	13,743
Buildings and equipment maintenance and janitorial	-	8,328	3,672	1,369	2,982	4,957	2,232	3,563	27,103	18,393	1,406	46,902
Conferences, meetings, and training	-	9,890	3,775	1,465	2,919	3,278	2,106	2,494	25,927	8,557	1,228	35,712
Dues, fees, and licenses	-	6,470	3,016	1,393	1,940	7,546	1,820	2,285	24,470	49,404	5,892	79,766
Insurance	-	10,755	4,735	1,757	2,768	3,228	3,322	3,539	30,104	13,720	1,792	45,616
Interest expense	-	-	14	-	-	-	-	-	14	732	-	746
Office printing and postage	-	864	759	719	1,056	1,488	898	1,281	7,065	1,371	2,578	11,014
Professional fees	-	37,643	724	269	496	1,300	1,056	598	42,086	84,200	274	126,560
Rental expense	-	39,115	38,753	38,574	1,421	1,072	1,014	1,468	121,417	3,147	1,363	125,927
Supplies - office and program	-	5,110	2,284	1,083	1,954	20,848	4,546	2,123	37,948	14,370	1,700	54,018
Telephone	-	12,782	5,340	2,340	2,155	3,792	2,685	3,488	32,582	7,007	1,769	41,358
Transportation contract and vehicle expenses	-	18,310	21,514	461	883	3,671	3,620	669	49,128	1,713	511	51,352
Utilities	-	14,560	6,410	2,379	3,744	5,088	3,777	4,790	40,748	11,311	2,428	54,487
In-kind expense	-	1,039	539	115	223	29,655	473	948	32,992	100	5,501	38,593
Other expenses	40,435	7,799	6,351	397	1,113	4,884	7,555	1,196	69,730	48,010	33,330	151,070
Small tools and equipment	-	3,563	1,558	588	2,185	9,028	856	1,620	19,398	15,903	500	35,801
Credit losses and bad debt expense	-	-	-	-	-	-	-	-	-	175,793	-	175,793
Depreciation	-	49,339	22,368	9,149	12,670	16,474	12,395	16,569	138,964	57,059	8,007	204,030
Total functional expenses	\$ 40,572	\$ 880,703	\$ 435,848	\$ 174,174	\$ 224,170	\$ 444,913	\$ 216,374	\$ 284,504	\$ 2,701,258	\$ 1,312,105	\$ 206,871	\$ 4,220,234

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									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	\$ 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
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
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
Credit losses and 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  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (630,156)	\$ (788,966)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	204,030	203,083
Realized and unrealized (gain) loss on investments	(31,319)	100,991
Net change in beneficial interest in the assets of OCF	(21,612)	22,299
Net change in beneficial interest in trust receivable	(57,405)	116,742
Donated securities	(10,140)	(10,702)
Bad debt write offs	175,793	20,486
(Increase) decrease in:		
Assets held for others	(382)	(35,797)
Receivables	(315,175)	(53,039)
Prepaid expenses	(28,165)	(14,953)
Inventories	34,735	7,260
Increase (decrease) in:		
Accounts payable and accrued expenses	(59,553)	98,715
Accrued payroll and related expenses	(84,624)	10,385
Compensated absences payable	(8,930)	(23,688)
Other current liabilities	22,000	-
Assets held for others	<u>382</u>	<u>35,797</u>
Net cash used by operating activities	<u>(810,521)</u>	<u>(311,387)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	-	12,317
Proceeds from beneficial interest in the assets of OCF	15,070	14,260
Proceeds from beneficial interest in trust receivable	25,000	36,632
Purchase of property and equipment	<u>(209,788)</u>	<u>(211,538)</u>
Net cash used by investing activities	<u>(169,718)</u>	<u>(148,329)</u>
<b>Net decrease in cash and cash equivalents</b>	(980,239)	(459,716)
Cash and cash equivalents, beginning of year	<u>1,830,431</u>	<u>2,290,147</u>
Cash and cash equivalents, end of year	<u>\$ 850,192</u>	<u>\$ 1,830,431</u>

	<u>2023</u>	<u>2022</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 746</u>	<u>\$ 716</u>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 798,623	\$ 1,794,227
Cash equivalents, Board-directed reserve	<u>51,569</u>	<u>36,204</u>
 Total cash and cash equivalents per statement of cash flows	 <u>\$ 850,192</u>	 <u>\$ 1,830,431</u>

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. 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.

**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.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

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

**Receivables**

Receivables consist of promises to give (contributions and grants), amounts due for production and other services for which payment was not received by the Organization by June 30, 2023 and 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.

**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

**Recently Adopted Accounting Standard**

During the year ended June 30, 2023, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases, using the modified retrospective approach, with July 1, 2022 as the date of initial application. Presentation and disclosure of leases for the year ended June 30, 2022, is made in accordance with the previous lease accounting guidance in FASB ASC 840. Due to the nature and term of the Organization's leases, adoption of the new standard did not have a material impact on the Organization's financial statements.



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.

*Fee for service and production income* – Fee for service and production income is generated from fees for services provided and 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.

*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.

**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

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

**Leases**

The Organization determines whether an arrangement is or contains a lease at inception of a contract. Under FASB ASC 842, *Leases*, a contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the arrangement are changed.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset over the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as either operating or finance at the lease commencement date. At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives.

When the implicit rate is not readily determinable, the Organization has elected to use the risk-free rate at the commencement date in determining the present value of lease payments for the purpose of measuring lease assets and liabilities for all leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization has also made the election not to separate lease and non-lease components in the determination of ROU assets and lease liabilities.

When determining the term of a lease, the Organization includes options to extend or to terminate the lease that Management believes that the Organization is reasonably certain to exercise. The Organization has elected the short-term lease exemption for all classes of underlying assets. For leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise, the Organization does not recognize ROU assets and lease liabilities on the statement of financial position. Lease expense for these leases is recognized on a straight-line basis over the term of the lease.

**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, 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 798,623	\$ 1,794,227
Receivables	<u>434,390</u>	<u>295,008</u>
	1,233,013	2,089,235
Less amounts with donor-imposed purpose restrictions	<u>(52,324)</u>	<u>(193,917)</u>
Financial assets available for general expenditure	<u>\$ 1,180,689</u>	<u>\$ 1,895,318</u>

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**2. Liquidity and Availability of Resources**, continued

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 was \$510,054 and \$453,230 as of June 30, 2023 and 2022, 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. Receivables**

As of June 30, receivables, net were comprised of the following:

	<u>2023</u>	<u>2022</u>
Program service and fees receivable	\$ 287,472	\$ 291,255
Grants and contributions receivable (promises to give)	<u>146,918</u>	<u>3,753</u>
	434,390	295,008
Allowance for bad debt	<u>-</u>	<u>-</u>
Receivables, net	<u><u>\$ 434,390</u></u>	<u><u>\$ 295,008</u></u>

As of June 30, 2023 and 2022, management considers the receivables fully collectible; therefore, no allowance has been recorded. Beginning of year program service and fees receivable balances, net of allowance were \$291,255 and \$262,455 at July 1, 2022 and 2021, respectively.

**4. Property and Equipment**

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

	<u>2023</u>	<u>2022</u>
Land	\$ 422,314	\$ 422,314
Buildings and improvements	5,588,695	5,235,729
Equipment	497,338	478,782
Vehicles	288,253	227,916
Construction in progress	<u>22,107</u>	<u>244,177</u>
	6,818,707	6,608,918
Accumulated depreciation	<u>(2,823,186)</u>	<u>(2,619,155)</u>
Property and equipment, net	<u><u>\$ 3,995,521</u></u>	<u><u>\$ 3,989,763</u></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 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, 2023 and 2022. The receivable represents the present value of the expected future cash flows net of discounts of \$192,584 and \$205,522 at June 30, 2023 and 2022, respectively.

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

	2023	2022
Beginning balance	\$ 710,733	\$ 864,107
Change in value of the trust	57,405	(116,742)
Distributions from the trust	<u>(25,000)</u>	<u>(36,632)</u>
Ending balance	<u>\$ 743,138</u>	<u>\$ 710,733</u>

**6. 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.

The following schedule summarizes the activity of this endowment fund reported at fair value for the years ended June 30:

	2023	2022
Interest and dividends	\$ 2,470	\$ 2,577
Realized gains (losses)	(1,350)	8,195
Unrealized gains (losses)	24,054	(29,690)
Investment management fees	(1,670)	(1,288)
Oregon Community Foundation fees	<u>(1,892)</u>	<u>(2,093)</u>
Net change before distributions	21,612	(22,299)
Distributions to Pearl Buck Center	<u>(15,070)</u>	<u>(14,260)</u>
Net increase (decrease) in beneficial interest in OCF	6,542	(36,559)
Beginning balance	<u>377,814</u>	<u>414,373</u>
Ending balance	<u>\$ 384,356</u>	<u>\$ 377,814</u>

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**7. 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 \$36,179 and \$35,797, as of June 30, 2023 and 2022, respectively.

**8. Net Assets With Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Use/purpose restrictions (temporary)	\$ 795,462	\$ 904,650
Perpetual endowment	<u>11,591</u>	<u>11,591</u>
Total net assets with donor restrictions	<u>\$ 807,053</u>	<u>\$ 916,241</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>2023</u>	<u>2022</u>
Deposits to (withdrawals from) Board-directed reserve	\$ -	\$ -
Investment gains (losses), net	<u>56,824</u>	<u>(80,454)</u>
Net increase (decrease) in Board-directed reserve	56,824	(80,454)
Beginning balance	<u>453,230</u>	<u>533,684</u>
Ending balance	<u>\$ 510,054</u>	<u>\$ 453,230</u>

**10. Retirement 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, 2023 and 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 for the years ended June 30, 2023 and 2022 were \$20,081 and \$27,103, respectively.

**11. Operating Leases**

The Organization has multiple operating leases for equipment all of which management considers immaterial. The Organization has a month-to-month lease for a facility with monthly payments of \$9,303. As this lease is month-to-month the Organization has elected to treat this as a short-term lease. Total short-term lease costs under these leases for the years ended June 30, 2023 and 2022, was \$125,927 and \$126,831, respectively.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

## 12. 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.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**12. Fair Value Measurements**, continued

At June 30, 2023, 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	\$ 33,452	\$ -	\$ -	\$ 33,452
Fixed income taxable bonds	63,223	-	-	63,223
Equity securities	<u>361,810</u>	<u>-</u>	<u>-</u>	<u>361,810</u>
Total investments	458,485	-	-	458,485
Beneficial interest in trust receivable	-	-	743,138	743,138
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>384,356</u>	<u>384,356</u>
Total fair value of assets measured on a recurring basis	<u>\$ 458,485</u>	<u>\$ -</u>	<u>\$ 1,127,494</u>	<u>\$ 1,585,979</u>

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>

**13. 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, 2023 and 2022, deposits in excess of FDIC insurance limits were \$496,667 and \$1,280,083, respectively.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**13. Concentrations**, continued

*Concentration of Credit Risk*

A substantial portion of the Organization's receivables are due from a concentrated number of business and local and state government agencies. At June 30, 2023, receivables from two governmental agencies comprised approximately 81 percent of total gross receivables. At June 30, 2022, receivables from one governmental agency comprised approximately 77 percent of total gross receivables.

**14. Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously stated net assets or change in net assets.