



**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2024 and 2023**



PEARL BUCK CENTER INCORPORATED  
FINANCIAL STATEMENTS  
For the Years Ended June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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  
January 22, 2025

## FINANCIAL STATEMENTS

PEARL BUCK CENTER INCORPORATED  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 375,085	\$ 798,623
Investments	91,862	-
Receivables, net of allowance for credit losses of \$23,700 for 2024 and \$-0- for 2023	442,341	434,390
Prepaid expenses	32,819	65,807
Inventories	843	843
Beneficial interest in trust receivable, current portion	<u>25,000</u>	<u>25,000</u>
Total current assets	<u>967,950</u>	<u>1,324,663</u>
<b>Property and equipment, net</b>	<u>3,814,051</u>	<u>3,995,521</u>
<b>Other assets</b>		
Cash equivalents, Board-directed reserve	-	51,569
Investments, Board-directed reserve	571,363	458,485
Assets held in trust for others	5,318	36,179
Beneficial interest in trust receivable, long-term	771,482	718,138
Beneficial interest in the assets of Oregon Community Foundation (OCF)	<u>408,067</u>	<u>384,356</u>
Total other assets	<u>1,756,230</u>	<u>1,648,727</u>
<b>Total assets</b>	<u><u>\$ 6,538,231</u></u>	<u><u>\$ 6,968,911</u></u>

	<u>2024</u>	<u>2023</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 68,080	\$ 78,524
Accrued payroll and related expenses	46,755	37,025
Compensated absences payable	68,950	57,321
Refundable advances	152,759	-
Other current liabilities	<u>2,250</u>	<u>22,000</u>
Total current liabilities	338,794	194,870
<b>Non-current liabilities</b>		
Funds held in trust	<u>5,250</u>	<u>36,178</u>
Total liabilities	<u>344,044</u>	<u>231,048</u>
<b>Net assets</b>		
Without donor restrictions:		
Invested in property and equipment, net	3,814,051	3,995,521
Board-directed reserve	571,363	510,054
Undesignated	<u>938,013</u>	<u>1,425,235</u>
Total without donor restrictions	<u>5,323,427</u>	<u>5,930,810</u>
With donor restrictions	870,760	807,053
Total net assets	<u>6,194,187</u>	<u>6,737,863</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 6,538,231</u></u>	<u><u>\$ 6,968,911</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Revenue, gains, and other support:			
Governmental contract revenue	\$ 1,833,852	\$ -	\$ 1,833,852
Fee for service and production income	114,289	-	114,289
Grants and contributions	632,207	207,739	839,946
Contributions of goods and services	410	33,547	33,957
Investment and interest income	73,363	-	73,363
Change in beneficial interest in trust receivable	-	79,477	79,477
Change in beneficial interest in the assets of OCF	39,476	-	39,476
Miscellaneous revenue	98,741	-	98,741
Net assets released from restrictions	257,056	(257,056)	-
Total revenue, gains, and other support	<u>3,049,394</u>	<u>63,707</u>	<u>3,113,101</u>
<b>Expenses</b>			
Program services:			
Community Employment	640,667	-	640,667
Supported Living Program	330,705	-	330,705
Project SEARCH	140,662	-	140,662
LEAP (Life Enhancing Activities Program)	309,473	-	309,473
Pearl Buck Preschool	594,370	-	594,370
Family Support	253,625	-	253,625
Vocational Academy	290,123	-	290,123
Total program services	<u>2,559,625</u>	<u>-</u>	<u>2,559,625</u>
Support services:			
Administrative and general	900,788	-	900,788
Financial development	196,364	-	196,364
Total support services	<u>1,097,152</u>	<u>-</u>	<u>1,097,152</u>
Total expenses	<u>3,656,777</u>	<u>-</u>	<u>3,656,777</u>
<b>Change in net assets</b>	(607,383)	63,707	(543,676)
Net assets, beginning of year	<u>5,930,810</u>	<u>807,053</u>	<u>6,737,863</u>
<b>Net assets, end of year</b>	<u>\$ 5,323,427</u>	<u>\$ 870,760</u>	<u>\$ 6,194,187</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
Investment and interest income	51,126	-	51,126
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 FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2024

	Program Services								Support 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	\$ 382,067	\$ 178,567	\$ 69,791	\$ 206,394	\$ 352,337	\$ 148,543	\$ 183,854	\$ 1,521,553	\$ 501,086	\$ 125,389	\$ 2,148,028
Payroll taxes and benefits	103,339	54,287	20,533	57,533	68,761	42,212	48,591	395,256	101,524	32,517	529,297
Total payroll and related expenses	485,406	232,854	90,324	263,927	421,098	190,755	232,445	1,916,809	602,610	157,906	2,677,325
Advertising, marketing, and public relations	1,336	644	364	402	668	10,709	464	14,587	1,584	1,032	17,203
Buildings and equipment maintenance and janitorial	3,572	1,746	559	1,260	16,199	1,306	2,967	27,609	12,415	416	40,440
Conferences, meetings, and training	2,136	1,243	653	943	3,938	1,470	1,235	11,618	2,201	315	14,134
Dues, fees, and licenses	8,221	3,901	978	2,910	8,423	3,063	3,509	31,005	40,514	5,200	76,719
Insurance	3,805	1,681	621	990	1,346	998	1,266	10,707	32,848	629	44,184
Interest expense	-	-	-	-	-	-	-	-	47	-	47
Office printing and postage	2,412	1,144	363	2,630	3,693	369	2,812	13,423	2,936	1,415	17,774
Professional fees	21,934	10,721	3,429	7,999	12,153	7,992	10,081	74,309	94,483	2,553	171,345
Rental expense	30,145	29,374	28,872	934	4,814	794	1,074	96,007	1,438	168	97,613
Supplies - office and program	5,070	2,398	865	2,506	35,236	5,563	3,181	54,819	5,360	943	61,122
Telephone	9,866	4,810	1,795	2,939	4,627	3,042	4,030	31,109	7,942	1,198	40,249
Transportation contract and vehicle expenses	6,194	9,729	414	455	1,800	4,395	444	23,431	1,477	919	25,827
Utilities	10,765	5,253	1,670	3,804	5,346	3,810	4,857	35,505	9,947	1,259	46,711
In-kind expense	-	-	-	-	34,057	-	-	34,057	-	-	34,057
Other expenses	1,908	1,504	1,185	1,199	2,920	2,603	1,382	12,701	10,068	16,758	39,527
Small tools and equipment	3,659	1,603	672	1,179	17,148	1,610	1,248	27,119	3,369	607	31,095
Credit losses and bad debt expense	-	-	-	-	-	-	-	-	23,700	-	23,700
Depreciation	44,238	22,100	7,898	15,396	20,904	15,146	19,128	144,810	47,849	5,046	197,705
Total functional expenses	\$ 640,667	\$ 330,705	\$ 140,662	\$ 309,473	\$ 594,370	\$ 253,625	\$ 290,123	\$ 2,559,625	\$ 900,788	\$ 196,364	\$ 3,656,777

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  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (543,676)	\$ (630,156)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	197,705	204,030
Realized and unrealized gain on investments	(41,723)	(31,319)
Net change in beneficial interest in the assets of OCF	(39,476)	(21,612)
Net change in beneficial interest in trust receivable	(79,477)	(57,405)
Donated securities	-	(10,140)
Credit losses and adjustment to allowance	23,700	175,793
(Increase) decrease in:		
Assets held for others	30,861	(382)
Receivables, net	(31,651)	(315,175)
Prepaid expenses	32,988	(28,165)
Inventories	-	34,735
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,444)	(59,553)
Accrued payroll and related expenses	9,730	(84,624)
Compensated absences payable	11,629	(8,930)
Refundable advances	152,759	-
Other current liabilities	(19,750)	22,000
Assets held for others	(30,928)	382
	<u>(337,753)</u>	<u>(810,521)</u>
Net cash used by operating activities		
<b>Cash flows from investing activities</b>		
Purchase of investments	(518,303)	-
Proceeds from sale of investments	355,286	-
Proceeds from beneficial interest in the assets of OCF	15,765	15,070
Proceeds from beneficial interest in trust receivable	26,133	25,000
Purchase of property and equipment	(16,235)	(209,788)
	<u>(137,354)</u>	<u>(169,718)</u>
Net cash used by investing activities		
<b>Net decrease in cash and cash equivalents</b>	(475,107)	(980,239)
Cash and cash equivalents, beginning of year	<u>850,192</u>	<u>1,830,431</u>
Cash and cash equivalents, end of year	<u>\$ 375,085</u>	<u>\$ 850,192</u>

	<u>2024</u>	<u>2023</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 47</u>	<u>\$ 716</u>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 375,085	\$ 798,623
Cash equivalents, Board-directed reserve	<u>-</u>	<u>51,569</u>
Total cash and cash equivalents per statement of cash flows	<u>\$ 375,085</u>	<u>\$ 850,192</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 generally 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 program fees and other services for which payment was not received by the Organization by June 30, 2024 and 2023. Management periodically evaluates the collectability of receivables. Receivables are considered past due or delinquent according to contract terms. Receivables are not collateralized. Accounts receivable are stated at net realizable amounts which is the total amount receivable balances, less an allowance for credit losses. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical collection experience, third-party contract terms, current economic conditions, reasonably supported forecasts, and other circumstances, which may affect the ability of clients to meet their obligations. It is the Organization's policy to write off uncollectible accounts receivables when management determines the receivable will not be collected. Management has recorded an allowance for credit loss of \$23,700 and \$-0- at June 30, 2024 and 2023, respectively.

**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

**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**

**Recently Adopted Accounting Standards**

During the year ended June 30, 2024, the Organization adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, and all related amendments (ASC 326), which replace the incurred loss methodology for recognizing credit losses with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of lifetime expected credit losses to be recognized for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts, and for the financial assets to be presented at the net amount expected to be collected on the statement of financial position. Financial assets held by the Organization that are subject to ASC 326 are trade accounts receivable recognized in accordance with ASC 606. The impact of adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

**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.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

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

**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.

**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.

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, 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:

	2024	2023
Cash and cash equivalents	\$ 375,085	\$ 798,623
Receivables	<u>442,341</u>	<u>434,390</u>
	817,426	1,233,031
Less amounts with donor-imposed purpose restrictions	<u>(62,687)</u>	<u>(52,324)</u>
Financial assets available for general expenditure	<u>\$ 754,739</u>	<u>\$ 1,180,689</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 was \$571,363 and \$510,054 as of June 30, 2024 and 2023, 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:

	2024	2023
Program service and fees receivable	\$ 213,421	\$ 287,472
Grants and contributions receivable (promises to give)	<u>252,620</u>	<u>146,918</u>
	466,041	434,390
Allowance for credit losses	<u>(23,700)</u>	<u>-</u>
Receivables, net	<u>\$ 442,341</u>	<u>\$ 434,390</u>

Beginning of year program service and fees receivable balances, net of allowance were \$287,472 and \$291,255 at July 1, 2023 and 2022, respectively.

## 4. Property and Equipment

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

	2024	2023
Land	\$ 422,314	\$ 422,314
Buildings and improvements	5,588,695	5,588,695
Equipment	519,445	497,338
Vehicles	288,253	288,253
Construction in progress	<u>16,235</u>	<u>22,107</u>
	6,834,942	6,818,707
Accumulated depreciation	<u>(3,020,891)</u>	<u>(2,823,186)</u>
Property and equipment, net	<u>\$ 3,814,051</u>	<u>\$ 3,995,521</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, 2024 and 2023. The receivable represents the present value of the expected future cash flows net of discounts of \$182,301 and \$192,584 at June 30, 2024 and 2023, respectively.

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

	2024	2023
Beginning balance	\$ 743,138	\$ 710,733
Change in value of the trust	79,477	57,405
Distributions from the trust	(26,133)	(25,000)
Ending balance	<u>\$ 796,482</u>	<u>\$ 743,138</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:

	2024	2023
Interest and dividends	\$ 3,122	\$ 2,470
Realized gains (losses)	2,578	1,350
Unrealized gains (losses)	37,415	24,054
Investment management fees	(1,679)	(1,670)
Oregon Community Foundation fees	(1,960)	(1,892)
Net change before distributions	39,476	21,612
Distributions to Pearl Buck Center	(15,765)	(15,070)
Net increase (decrease) in beneficial interest in OCF	23,711	6,542
Beginning balance	384,356	377,814
Ending balance	<u>\$ 408,067</u>	<u>\$ 384,356</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 \$5,318 and \$36,179, as of June 30, 2024 and 2023, respectively.

**8. Net Assets With Donor Restrictions**

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

	2024	2023
Use/purpose restrictions (temporary)	\$ 859,169	\$ 795,462
Perpetual endowment	11,591	11,591
Total net assets with donor restrictions	<u>\$ 870,760</u>	<u>\$ 807,053</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:

	2024	2023
Deposits to (withdrawals from) Board-directed reserve	\$ -	\$ -
Investment gains (losses), net	61,309	56,824
Net increase (decrease) in Board-directed reserve	61,309	56,824
Beginning balance	510,054	453,230
Ending balance	<u>\$ 571,363</u>	<u>\$ 510,054</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, 2024 and 2023. 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, 2024 and 2023 were \$16,123 and \$20,081, respectively.

**11. Operating Leases**

The Organization has multiple operating leases for equipment all of which management considers immaterial and therefore has elected not to capitalize as right-of-use lease assets. The Organization has a month-to-month lease for a facility with monthly payments of \$9,303 through March 2024 at which time the lease was terminated. As this lease is month-to-month the Organization has elected to treat this as a short-term lease. The total rent expense under these leases for the years ended June 30, 2024 and 2023, was \$97,613 and \$125,927, respectively.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**11. Operating Leases, continued**

Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2025	\$ 10,848
2026	10,056
2027	7,680
2028	7,680
2029	7,680
Thereafter	<u>-</u>
Total	<u>\$ 43,944</u>

**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.

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**12. Fair Value Measurements, continued**

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.

At June 30, 2024, the fair value of assets measured on a recurring basis was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 31,401	\$ -	\$ -	\$ 31,401
Exchange traded products	56,085	-	-	56,085
Mutual funds	<u>575,739</u>	<u>-</u>	<u>-</u>	<u>575,739</u>
Total investments	663,225	-	-	663,225
Beneficial interest in trust receivable	-	-	796,482	796,482
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>408,067</u>	<u>408,067</u>
Total fair value of assets measured on a recurring basis	<u>\$ 663,225</u>	<u>\$ -</u>	<u>\$ 1,204,549</u>	<u>\$ 1,867,774</u>

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>

PEARL BUCK CENTER INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

**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, 2024 and 2023, deposits in excess of FDIC insurance limits were \$126,408 and \$496,667, respectively.

*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, 2024, receivables from two governmental agencies comprised approximately 88 percent of total gross receivables. At June 30, 2023, receivables from two governmental agencies comprised approximately 81 percent of total gross receivables.

**14. Reclassification**

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