

PEARL S. BUCK INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

(See Independent Auditors' Report)

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Functional Expenses	7-10
Statements of Cash Flows	11
Notes to Financial Statements	12-25



936 Easton Rd., PO Box 754 Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446
252 W. Swamp Rd., Unit 9, Doylestown, PA 18901 | 444 South State St. Suite B2, Newtown, PA 18940
24 Arnett Ave. Suite 111, Lambertville, NJ 08530
215-343-2727 | www.bbco-cpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pearl S. Buck International
Perkasie, Pennsylvania

We have audited the accompanying financial statements of Pearl S. Buck International (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pearl S. Buck International as of June 30, 2016 and 2015, 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.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

October 16, 2016

PEARL S. BUCK INTERNATIONAL

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 225,902	\$ 96,026
Investments - Cash and Cash Equivalents	4,777	4,736
Bequests Receivable	171,249	123,706
Capital Campaign Grant Receivable	6,220	28,994
Current Unconditional Promises to Give	110,100	107,637
Prepaid Expenses	13,588	11,487
Total Current Assets	<u>531,836</u>	<u>372,586</u>
Property and Equipment, Net	<u>2,362,708</u>	<u>2,544,299</u>
Other Assets		
Long-Term Unconditional Promises to Give	191,141	168,978
Investments - General Purpose	26,968	26,818
Investments - Endowment	76,621	77,372
Split-Interest Agreements	128,708	140,400
Total Other Assets	<u>423,438</u>	<u>413,568</u>
 TOTAL ASSETS	 <u>\$ 3,317,982</u>	 <u>\$ 3,330,453</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Line of Credit	\$ -	\$ 25,000
Mortgage Payable - Current Maturities	19,867	18,971
Accounts Payable	46,720	73,111
Accrued Expenses and Other Current Liabilities	94,835	97,022
Total Current Liabilities	<u>161,422</u>	<u>214,104</u>
Long Term Liabilities		
Liabilities Associated with Split-Interest Agreements	103,617	115,645
Mortgage Payable, Less Current Maturities	491,862	512,096
Total Long Term Liabilities	<u>595,479</u>	<u>627,741</u>
Net Assets		
Unrestricted	925,809	758,466
Temporarily Restricted	1,558,972	1,655,993
Permanently Restricted	76,300	74,149
Total Net Assets	<u>2,561,081</u>	<u>2,488,608</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,317,982</u>	 <u>\$ 3,330,453</u>

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Statements of Activities

For the Years Ended June 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Support and Revenue				
Public Support				
General Contributions	\$ 989,402	\$ 17,940	\$ 3,376	\$ 1,010,718
Opportunity House	616,393	-	-	616,393
Special Events (net)	77,228	-	-	77,228
Membership	21,275	-	-	21,275
Total Public Support	<u>1,704,298</u>	<u>17,940</u>	<u>3,376</u>	<u>1,725,614</u>
Cultural Programming				
College Recruitment	-	-	-	-
Cultural Immersion	16,800	-	-	16,800
Cultural Tours	79,926	-	-	79,926
Multi Cultural Education	639	-	-	639
Student Leadership	6,550	-	-	6,550
Summer Culture Camp	-	-	-	-
Total Cultural Programming	<u>103,915</u>	<u>-</u>	<u>-</u>	<u>103,915</u>
Earned Revenue				
Pearl S. Buck House Tours	51,461	-	-	51,461
Rental	72,186	-	-	72,186
Other	889	-	-	889
Total Earned Revenue	<u>124,536</u>	<u>-</u>	<u>-</u>	<u>124,536</u>
Grants and Contracts				
Pearl S. Buck House	23,006	55,000	-	78,006
Opportunity House Programs	6,559	-	-	6,559
Philippines	-	-	-	-
Vietnam	27,440	-	-	27,440
Welcome House	61,488	10,000	-	71,488
Total Grants and Contracts	<u>118,493</u>	<u>65,000</u>	<u>-</u>	<u>183,493</u>
Interest Income and Miscellaneous	80	-	-	80
Net Assets Released from Restrictions	181,800	(180,297)	(1,503)	-
Total Support and Revenues	<u>2,233,122</u>	<u>(97,357)</u>	<u>1,873</u>	<u>2,137,638</u>
Expenses				
Program Services				
Welcome House/Adoption	200,250	-	-	200,250
Opportunity House	803,446	-	-	803,446
Pearl S. Buck House	733,543	-	-	733,543
Total Program Services	<u>1,737,239</u>	<u>-</u>	<u>-</u>	<u>1,737,239</u>
Supporting Services				
Management and General	103,857	-	-	103,857
Fundraising	224,227	-	-	224,227
Total Supporting Services	<u>328,084</u>	<u>-</u>	<u>-</u>	<u>328,084</u>
Total Expenses	<u>2,065,323</u>	<u>-</u>	<u>-</u>	<u>2,065,323</u>
Change in Net Assets Before Other Revenue (Expense)	167,799	(97,357)	1,873	72,315
Other Revenues (Expenses)				
Net Investment Income	(456)	-	278	(178)
Decrease in Value of Split-Interest Agreements	-	336	-	336
Total Other Revenues (Expenses)	<u>(456)</u>	<u>336</u>	<u>278</u>	<u>158</u>
Change in Net Assets	167,343	(97,021)	2,151	72,473
Net Assets, Beginning of Year	758,466	1,655,993	74,149	2,488,608
Net Assets, End of Year	<u>\$ 925,809</u>	<u>\$ 1,558,972</u>	<u>\$ 76,300</u>	<u>\$ 2,561,081</u>

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
\$ 711,204	\$ 1,259	\$ 7,733	\$ 720,196
560,389	17,505	-	577,894
67,314	-	-	67,314
<u>32,375</u>	<u>-</u>	<u>-</u>	<u>32,375</u>
1,371,282	18,764	7,733	1,397,779
12,500	-	-	12,500
-	-	-	-
4,173	-	-	4,173
1,475	-	-	1,475
4,875	-	-	4,875
<u>1,610</u>	<u>-</u>	<u>-</u>	<u>1,610</u>
24,633	-	-	24,633
56,207	-	-	56,207
54,677	-	-	54,677
<u>1,190</u>	<u>-</u>	<u>-</u>	<u>1,190</u>
112,074	-	-	112,074
181,013	28,284	-	209,297
6,363	-	-	6,363
10,013	-	-	10,013
15,750	-	-	15,750
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
213,139	28,284	-	241,423
127	-	-	127
<u>172,996</u>	<u>(165,346)</u>	<u>(7,650)</u>	<u>-</u>
<u>1,894,251</u>	<u>(118,298)</u>	<u>83</u>	<u>1,776,036</u>
(3,240)	-	-	(3,240)
771,200	-	-	771,200
<u>958,998</u>	<u>-</u>	<u>-</u>	<u>958,998</u>
1,726,958	-	-	1,726,958
128,450	-	-	128,450
<u>346,478</u>	<u>-</u>	<u>-</u>	<u>346,478</u>
<u>474,928</u>	<u>-</u>	<u>-</u>	<u>474,928</u>
<u>2,201,886</u>	<u>-</u>	<u>-</u>	<u>2,201,886</u>
(307,635)	(118,298)	83	(425,850)
(195)	2	552	359
<u>-</u>	<u>(863)</u>	<u>-</u>	<u>(863)</u>
<u>(195)</u>	<u>(861)</u>	<u>552</u>	<u>(504)</u>
(307,830)	(119,159)	635	(426,354)
<u>1,066,296</u>	<u>1,775,152</u>	<u>73,514</u>	<u>2,914,962</u>
<u>\$ 758,466</u>	<u>\$ 1,655,993</u>	<u>\$ 74,149</u>	<u>\$ 2,488,608</u>

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Statements of Functional Expenses

For the Year Ended June 30, 2016

	Program Services			Total
	Welcome House	Opportunity House	Pearl S. Buck House	
Program/Outreach				
Health	\$ -	\$ 37,094	\$ -	\$ 37,094
Education	-	25,026	-	25,026
Livelihood	-	2,239	-	2,239
Psycho-Social	-	20,802	-	20,802
CB/ID	-	8,437	-	8,437
Program Services	998	303,527	-	304,525
Total Program/Outreach	<u>998</u>	<u>397,125</u>	<u>-</u>	<u>398,123</u>
Operating Expenses				
Salaries	54,705	258,867	316,993	630,565
Benefits	4,024	24,884	20,569	49,477
Payroll Taxes	4,092	19,029	25,454	48,575
Professional Fees	16,231	4,567	17,529	38,327
Audit Fees	-	-	-	-
Supplies	995	3,190	9,225	13,410
Telephone	812	3,869	5,346	10,027
Postage & Handling	227	4,252	2,205	6,684
Office/Equipment Rental	(38)	4,990	5,962	10,914
Insurance	1,920	9,680	17,976	29,576
Interest Expense	199	1,004	23,691	24,894
Utilities	1,491	7,748	20,631	29,870
Maintenance	3,063	15,833	29,399	48,295
Printing	78	527	2,336	2,941
Direct Mail Expenses	289	1,459	2,152	3,900
Travel	87,260	20,480	2,442	110,182
Advertising	283	1,517	7,603	9,403
Conference & Meetings	166	716	902	1,784
Training	17,840	326	481	18,647
Subscription, Dues & Fees	379	1,912	8,153	10,444
Depreciation	1,657	8,774	202,180	212,611
Miscellaneous	-	-	7,311	7,311
Bank Charges	3,579	12,503	5,003	21,085
Foreign Currency Exchange Loss	-	194	-	194
Total Operating Expenses	<u>199,252</u>	<u>406,321</u>	<u>733,543</u>	<u>1,339,116</u>
Total Functional Expenses	<u>\$ 200,250</u>	<u>\$ 803,446</u>	<u>\$ 733,543</u>	<u>\$ 1,737,239</u>
Percentage of Total Expenditures	9.7%	38.9%	35.5%	84.1%

<u>Supporting Services</u>			
<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2016 Total</u>
\$ -	\$ -	\$ -	\$ 37,094
-	-	-	25,026
-	-	-	2,239
-	-	-	20,802
-	-	-	8,437
-	-	-	304,525
<u>-</u>	<u>-</u>	<u>-</u>	<u>398,123</u>
50,447	111,404	161,851	792,416
8,361	11,004	19,365	68,842
3,688	8,766	12,454	61,029
2,467	5,623	8,090	46,417
12,950	-	12,950	12,950
990	3,886	4,876	18,286
1,007	3,622	4,629	14,656
327	1,727	2,054	8,738
1,021	4,075	5,096	16,010
10,738	10,084	20,822	50,398
260	1,046	1,306	26,200
1,948	7,833	9,781	39,651
4,115	16,507	20,622	68,917
102	411	513	3,454
378	3,837	4,215	8,115
326	1,013	1,339	111,521
-	2,865	2,865	12,268
1,176	5,962	7,138	8,922
84	340	424	19,071
620	15,152	15,772	26,216
2,165	8,701	10,866	223,477
284	(36)	248	7,559
403	405	808	21,893
-	-	-	194
<u>103,857</u>	<u>224,227</u>	<u>328,084</u>	<u>1,667,200</u>
<u>\$ 103,857</u>	<u>\$ 224,227</u>	<u>\$ 328,084</u>	<u>\$ 2,065,323</u>
5.0%	10.9%	15.9%	100.0%

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Statements of Functional Expenses

For the Year Ended June 30, 2015

	<u>Program Services</u>			<u>Total</u>
	<u>Welcome House</u>	<u>Opportunity House</u>	<u>Pearl S. Buck House</u>	
Program/Outreach				
Health	\$ -	\$ 40,341	\$ -	\$ 40,341
Education	-	20,133	-	20,133
Livelihood	-	1,989	-	1,989
Psycho-Social	-	17,228	-	17,228
CB/ID	-	9,193	-	9,193
Program Services	-	309,759	-	309,759
Adoptions - Country Fees	(1,044)	-	-	(1,044)
Total Program/Outreach	<u>(1,044)</u>	<u>398,643</u>	<u>-</u>	<u>397,599</u>
Operating Expenses				
Salaries	2,832	226,777	409,371	638,980
Benefits	(13,728)	35,912	36,223	58,407
Payroll Taxes	206	16,798	33,438	50,442
Professional Fees	700	7,931	70,546	79,177
Audit Fees	-	-	-	-
Supplies	2	3,390	20,932	24,324
Telephone	369	5,447	10,349	16,165
Postage & Handling	528	4,572	2,546	7,646
Office/Equipment Rental	106	6,387	10,729	17,222
Insurance	6,909	8,376	20,275	35,560
Interest Expense	-	-	27,028	27,028
Utilities	-	8,488	31,280	39,768
Maintenance	-	13,364	21,772	35,136
Printing	-	388	1,171	1,559
Direct Mail Expenses	-	2,272	4,498	6,770
Travel	-	7,655	24,420	32,075
Advertising	-	770	4,684	5,454
Conference & Meetings	-	965	3,069	4,034
Training	-	297	677	974
Subscription, Dues & Fees	(200)	1,786	4,952	6,538
Depreciation	-	8,654	207,918	216,572
Miscellaneous	-	-	7,047	7,047
Bank Charges	80	12,225	6,073	18,378
Foreign Currency Exchange Loss	-	103	-	103
Total Operating Expenses	<u>(2,196)</u>	<u>372,557</u>	<u>958,998</u>	<u>1,329,359</u>
Total Functional Expenses	<u>\$ (3,240)</u>	<u>\$ 771,200</u>	<u>\$ 958,998</u>	<u>\$ 1,726,958</u>
Percentage of Total Expenditures	-0.1%	35.0%	43.6%	78.5%

Supporting Services			
Management & General	Fundraising	Total	<u>2015</u> Total
\$ -	\$ -	\$ -	\$ 40,341
-	-	-	20,133
-	-	-	1,989
-	-	-	17,228
-	-	-	9,193
-	-	-	309,759
-	-	-	(1,044)
-	-	-	<u>397,599</u>
59,638	219,818	279,456	918,436
7,873	14,569	22,442	80,849
4,384	17,544	21,928	72,370
3,199	11,005	14,204	93,381
15,050	-	15,050	15,050
807	3,909	4,716	29,040
1,543	5,160	6,703	22,868
320	2,239	2,559	10,205
1,459	5,391	6,850	24,072
10,638	8,366	19,004	54,564
-	-	-	27,028
2,191	8,113	10,304	50,072
9,960	13,174	23,134	58,270
105	387	492	2,051
613	6,180	6,793	13,563
1,059	1,144	2,203	34,278
31	115	146	5,600
2,541	7,371	9,912	13,946
893	376	1,269	2,243
3,705	13,427	17,132	23,670
2,133	7,898	10,031	226,603
13	144	157	7,204
295	148	443	18,821
-	-	-	103
<u>128,450</u>	<u>346,478</u>	<u>474,928</u>	<u>1,804,287</u>
<u>\$ 128,450</u>	<u>\$ 346,478</u>	<u>\$ 474,928</u>	<u>\$ 2,201,886</u>
5.8%	15.7%	21.5%	100.0%

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 72,473	\$ (426,354)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operations		
Depreciation	223,477	226,603
Net Realized and Unrealized Loss (Gain) on Investments	2,267	3,881
(Increase) Decrease in:		
Accounts Receivable	-	15,122
Bequests Receivable	(47,543)	(52,775)
Capital Campaign Grant Receivable	22,774	425,861
Current Unconditional Promises to Give	(2,463)	22,023
Prepaid Expenses	(2,101)	2,979
Split-Interest Agreements	11,692	4,897
Long Term Unconditional Promises to Give	(22,163)	21,184
Increase (Decrease) in:		
Accounts Payable	(26,391)	12,598
Accrued Expenses	(2,187)	5,475
Liabilities Associated with Split-Interest Agreements	<u>(12,028)</u>	<u>(4,034)</u>
Net Cash Provided by (Used in) Operating Activities	<u>217,807</u>	<u>257,460</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(41,885)	(48,929)
Purchase of Investments	<u>(1,667)</u>	<u>(2,292)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(43,552)</u>	<u>(51,221)</u>
Cash Flows from Financing Activities		
Drawdown on Line of Credit	(25,000)	25,000
Repayment of Mortgage Payable	<u>(19,338)</u>	<u>(456,283)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(44,338)</u>	<u>(431,283)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	129,917	(225,044)
Cash and Cash Equivalents, Beginning	<u>100,762</u>	<u>325,806</u>
Cash and Cash Equivalents, Ending	<u>\$ 230,679</u>	<u>\$ 100,762</u>
Cash and Cash Equivalents	\$ 225,902	\$ 96,026
Investments - Cash and Cash Equivalents	<u>4,777</u>	<u>4,736</u>
Total Cash and Cash Equivalents	<u>\$ 230,679</u>	<u>\$ 100,762</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 26,200</u>	<u>\$ 27,028</u>

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies

Nature of Operations: Pearl S. Buck International (PSBI) has three distinct functions that operate with one common mission of promoting the legacy and dreams of Pearl S. Buck - her commitment to improving the quality of life and expanding opportunities for children and promoting an understanding of the values and attributes of other cultures. The functions of the Organization include:

- Opportunity House - opening doors to expand opportunities for children and families who would otherwise be denied health care, education, livelihood, and psycho-social support by developing and delivering resources and standards of excellence to affiliates and partner agencies throughout the world.
- Welcome House - The Welcome House Adoption program ended by resolution of the Board on June 20, 2014. The program financials for the fiscal year ending June 30, 2015 reflect the final closure of the adoption program. The name "Welcome House" continued to be used internally to reflect intercultural programming including opportunities including international exchange, cultural awareness and diversity appreciation during the fiscal year ending June 30, 2016.
- Pearl S. Buck House - opening doors to promote the legacy of Pearl S. Buck by preserving and interpreting her National Historic Landmark home to educate the public and develop cross-cultural appreciation, opportunities for children and families, and worldwide partnerships.

Basis of Presentation: The financial statements of PSBI have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Net assets are required to be categorized according to externally (donor) imposed restrictions. A description of the net asset categories are as follows:

Unrestricted Net Assets - Net assets that are available for the support of the operations and whose use is not externally restricted.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation: (continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents: Cash and cash equivalents includes all cash balances and highly liquid investments purchased with an initial maturity of three months or less.

Investments: Investments, which consist of mutual funds invested in fixed income and equity securities, are measured at fair value based on quoted market rates in the statements of financial position. Investment income (including realized and unrealized gains and losses, interest and dividends) is included in the statements of activities.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Split-Interest Agreements: Split-interest agreements are recorded at the fair value of the related investments based on quoted market prices.

Liabilities Under Split-Interest Agreements: Liabilities under split-interest agreements reflect discounted cash flows owed to the income beneficiaries based on their life expectancy.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Promises to Give and Pledges Receivable: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Pledges are recorded at fair value in the year of the promise and carried as a receivable until received. Unconditional promises to give at June 30, 2016 and 2015 are due as follows:

	<u>2016</u>	<u>2015</u>
Unconditional Promises to Give:		
Receivable in less than one year	\$ 110,100	\$ 107,637
Receivable in one to five years	<u>191,141</u>	<u>168,978</u>
	<u>\$ 301,241</u>	<u>\$ 276,615</u>

PSBI uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on historical experience and management's analysis of specific promises made. As of June 30, 2016 and 2015, an allowance was not warranted.

Contributions Restricted for Long-Lived Assets: Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increase in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as calculated by the PSBI's depreciation policy.

Bequests: PSBI records bequests as promises to give when the following items have occurred - the person has expired, the will has been declared valid and the amount can be reasonably estimated. All other bequests are considered intentions to give and are not recognized in the financial statements. As of June 30, 2016 and 2015, PSBI had received notices of bequests in the amount of \$171,249 and \$123,706, respectively.

Contributions and Gifts: PSBI reports contributions and gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted support.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment: Property and equipment with a useful life in excess of one year and a unit cost in excess of \$500 are recorded at cost on the date of purchase or fair value at date of gift. Depreciation is computed on the straight-line method over each asset's estimated useful life. Maintenance and repairs are expensed as incurred and renewals and betterments are capitalized. Gains and losses arising from retirements or sales of assets are included in the statement of activities.

Collections: Collections consist of historical artifacts. Collections acquired either through purchases or donations are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved, and are subject to a policy that requires that proceeds derived from the deaccessioning of any property be placed in a board designated fund to be used only for the acquisition or direct care of collections.

Accounts Receivable and Allowance for Doubtful Accounts: Receivables consist mainly of contribution pledge receivables. Revenue is recognized when a donor makes a promise to give. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due 90 days are individually analyzed for collectability. In addition, an allowance is provided for other accounts when a significant pattern of uncollectability has occurred. When all collection efforts have been exhausted, the accounts are written off. As of June 30, 2016 and 2015, an allowance was not warranted.

Donated Services: Many individuals and corporations volunteer their time and services to perform a variety of tasks that assist PSBI with specific programs and committee assignments. An amount has not been recognized in the accompanying statements of activities for these efforts because they did not meet the requirements for recognition under generally accepted accounting standards.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Foreign Currency: Assets and liabilities of foreign operations are translated into U.S. dollars using year-end rates, and income and expenses are translated using average exchange rates during the year. PSBI has certain foreign assets, including property and equipment and cash on hand, and liabilities. The value of these foreign assets and liabilities and the related revenue and expense will fluctuate with changes in the exchange rates. For the years ended June 30, 2016 and 2015, there was a loss of \$194 and \$103, respectively, on foreign currency translations and exchanges.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs are allocated between programs and supporting services based on direct salaries.

Advertising Costs: Advertising costs are expensed as incurred.

Income Taxes: PSBI is tax exempt under Section 501(c)(3) of the Internal Revenue Code for Federal and similar codes for State income tax purposes. No current tax obligation exists on the Federal or State level. Additionally, the PSBI has been classified as an organization that is not a private foundation under Section 509(a)(2).

As required by the FASB Accounting Standards Codification, entities are required to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. This standard had no impact on the Organization's financial statements.

The Organization's federal tax return is subject to audit by taxing authorities. The Organization's returns open audit periods are for the fiscal years ending June 30, 2013-2015.

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments: The Organization follows Fair Value Measurements as required by the FASB Standards Codification, which applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Codification emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumption that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization also adopted the Fair Value Option for Financial Assets and Liabilities under the FASB Standards Codification. This allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, as permitted under the Codification. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

The following table represents the Organization's fair value hierarchy for those investments, excluding money market funds, measured at fair value on a recurring basis as of June 30, 2016 and 2015:

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (continued):

	For the year ended June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Non-Endowed	\$ 26,968	\$ -	\$ -	\$ 26,968
Endowed	<u>5,746</u>	<u>70,875</u>	<u>-</u>	<u>76,621</u>
Total Investment Return	32,714	70,875	-	103,589
Split-Interest Agreements	<u>-</u>	<u>128,708</u>	<u>-</u>	<u>128,708</u>
	<u>\$ 32,714</u>	<u>\$ 199,583</u>	<u>\$ -</u>	<u>\$ 232,297</u>

	For the year ended June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Non-Endowed	\$ 26,818	\$ -	\$ -	\$ 26,818
Endowed	<u>6,404</u>	<u>70,968</u>	<u>-</u>	<u>77,372</u>
Total Investment Return	33,222	70,968	-	104,190
Split-Interest Agreements	<u>-</u>	<u>140,400</u>	<u>-</u>	<u>140,400</u>
	<u>\$ 33,222</u>	<u>\$ 211,368</u>	<u>\$ -</u>	<u>\$ 244,590</u>

Subsequent Events: The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available for release. No subsequent events have been recognized or disclosed.

Reclassification: The prior year bequests receivable and current unconditional promises to give were reclassified to conform with the current year presentation. There was no income effect as a result of this change.

NOTE 2. Concentrations of Credit Risk

Financial instruments that potentially expose PSBI to concentrations of credit risk consist primarily of cash and cash equivalents, accounts and bequests receivable, and investments. The balances in banks are insured by Federal Deposit Insurance Corporation up to certain limits.

Receivables consist of bequests, grants, and unconditional promises to give. PSBI does not require collateral.

Investments are diversified in a way that is consistent with the risk tolerance and investment objectives of PSBI's investment policies and guidelines.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 3. Capital Campaign Grant Receivable

PSBI has received a grant for the capital campaign. Grant receivables at June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Receivable in Less than One Year	\$ 6,220	\$ 28,994
Receivable in One to Five Years	<u>191,141</u>	<u>168,978</u>
Total Grant Receivables	197,361	197,972
Less: Discount to Net Present Value	<u>-</u>	<u>-</u>
Net Grant Receivables	<u>\$ 197,361</u>	<u>\$ 197,972</u>

NOTE 4. Investments - General Purpose and Endowments

Investment, reported at fair value, consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mutual Fund Investments:		
Fixed Income	\$ 26,968	\$ 26,818
Endowments	<u>76,621</u>	<u>77,372</u>
Total	<u>\$ 103,589</u>	<u>\$ 104,190</u>

As of June 30, 2016, the Endowment funds are comprised of \$70,874 for the Long Endowment that resides with the Bucks County Foundation as part of their Pooled Income Fund and \$5,746 for the Mahr Endowment held with Chase Bank.

As of June 30, 2015, the Endowment funds were comprised of \$70,968 for the Long Endowment that resides with the Bucks County Foundation as part of their Pooled Income Fund and \$6,403 for the Mahr Endowment held with Chase Bank.

Investment income consists of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 2,427	\$ 3,377
Net Unrealized Gain (Loss) on Investments	<u>(2,605)</u>	<u>(3,018)</u>
Total	<u>\$ (178)</u>	<u>\$ 359</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 5. Investments - Split-Interest Agreements

PSBI has interests in split-interest agreements as follows at June 30:

	<u>2016</u>	<u>2015</u>
Charitable Remainder Trusts	<u>\$ 128,708</u>	<u>\$ 140,400</u>
Total	<u>\$ 128,708</u>	<u>\$ 140,400</u>

An unrealized gain of \$336 and an unrealized loss of \$863 related to split-interest agreements were recorded for the years ended June 30, 2016 and 2015, respectively.

In 1996, a donor established a charitable remainder unitrust naming PSBI as a 75% beneficiary and the trustee. Under the terms of the unitrust, PSBI shall pay to the donor during his lifetime and that of his spouse a 6% distribution each year without an income limitation. At the time of the donor's death and that of his spouse, the trust is to terminate and the remaining assets are to be distributed. PSBI has recorded the respective asset at its fair value at June 30, 2016 and 2015, and a related liability representing the present value of the estimated future payments. Changes in the value of the asset and liability assumptions or estimates are recognized as increases or decreases in the value of split-interest agreements in the accompanying statements of activities.

Liabilities under split-interest agreements amount to \$103,617 and \$115,645 at June 30, 2016 and 2015, respectively, which equals the share of the split-interest agreements which will go to beneficiaries other than the PSBI.

NOTE 6. Property and Equipment

Property and equipment comprise the following at June 30:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives (Years)</u>
Land and Improvements	\$ 168,410	\$ 168,410	
Building and Improvements	5,287,971	5,289,925	10 - 25
Furniture, Fixture and Equipment	173,949	185,033	5 - 10
Computer Equipment	43,606	111,937	5
Vehicles	20,551	22,251	5
Total	<u>5,694,487</u>	<u>5,777,556</u>	
Less: Accumulated Depreciation	<u>(3,331,779)</u>	<u>(3,233,257)</u>	
Total Property and Equipment	<u>\$ 2,362,708</u>	<u>\$ 2,544,299</u>	

Depreciation expense for the years ended June 30, 2016 and 2015 was \$223,477 and \$226,603, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 7. Scholarship Programs

PSBI has the following scholarship programs for which the net assets are classified as temporarily restricted:

Mabel Lew Scholarship: In 1997, the Mabel Lew Trust agreed to donate \$100,000 to establish a scholarship program in the name of Mabel Lew. The annual scholarship shall be given to qualified candidates in the amount of \$5,000 from the income, or principle if necessary. Recipients shall be Asian and, in the case of candidates with equal qualification, priority shall be given to females. One \$5,000 scholarship was awarded for the year ended June 30, 2016 and one \$5,000 scholarship was awarded for the year ended June 30, 2015.

NOTE 8. Compensated Absences

Obligations relating to compensating employees for vacation days earned have been recorded as a liability. Accrued vacation pay for the years ended June 30, 2016 and 2015 was \$46,630 and \$49,715, respectively.

NOTE 9. Line of Credit and Mortgage Payable

During the year ended June 30, 2016, PSBI established a \$300,000 secured line of credit with a commercial bank that bears interest at 3.50%. The agreement is set to expire April 5, 2017. There was no outstanding balance at June 30, 2016. For the year ended June 30, 2015, PSBI had a \$200,000 secured line of credit with a different commercial bank. Interest on this line of credit was 3.25%. The outstanding balance at June 30, 2015 was \$25,000. This line of credit agreement was terminated during the year ended June 30, 2016. Substantially all of the assets of PSBI collateralize these lines of credit.

On February 1, 2014, PSBI converted its second line of credit to a 20-year mortgage loan, with an interest rate of 4.25%. On September 11, 2014, PSBI used the capital campaign grant payment of \$435,355 to pay down a portion of the principal on this loan. The new monthly payments are \$3,462. The interest expense for the years ended June 30, 2016 and 2015 was \$26,200 and \$27,028, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 9. Line of Credit and Mortgage Payable (Continued)

Estimated future maturities on the mortgage payable as of June 30, 2016 were as follows:

<u>Years Ending June 30,</u>	
2017	\$ 19,867
2018	20,740
2019	21,651
2020	22,550
2021	23,594
2021 and thereafter	<u>403,327</u>
Total	<u>\$ 511,729</u>

NOTE 10. Pearl S. Buck - Volunteer Association

In May 1979, a volunteer association was formed by individuals who desired to promote the welfare of PSBI. The Volunteer Association is an entity separate and apart from PSBI. Pursuant to the governing documents of the Volunteer Association, the assets, liabilities and fund transactions of the Volunteer Association are not under the direction or control of PSBI. These accounts and transactions, therefore, are not presented in the accompanying financial statements of PSBI.

NOTE 11. Pension Plan

PSBI participates in a defined contribution plan for the benefit of its employees. The plan is available to all eligible employees, as defined by the plan. PSBI matches 30% of participant's contributions, up to the IRS limits. This match is mandatory per the plan. Contributions by PSBI under the plan for the years ended June 30, 2016 and 2015 amounted to \$9,861 and \$10,258, respectively.

NOTE 12. Related Party Transactions

PSBI maintains a line of credit and three cash accounts with a commercial bank whose Chief Executive Officer is also a board member. There was no outstanding balance on the line of credit at June 30, 2016. The cash balances in these accounts were \$142,632 at June 30, 2016. There were no related party transactions for the year ended June 30, 2015.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 13. Operating Leases

PSBI has several operating leases for office equipment that expire at various dates through June 2018. Total expense for the years ended June 30, 2016 and 2015 was \$15,697 and \$23,093, respectively.

Future minimum lease commitments as of June 30, 2016 are as follows:

<u>Years Ending June 30.</u>	
2017	\$ 4,958
2018	<u>2,100</u>
Total	<u>\$ 7,058</u>

NOTE 14. Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services and other PSBI purposes. They consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Education Program	\$ 21,422	\$ 21,422
Nutrition Project	17,505	17,505
Pearl S. Buck House	1,427,080	1,534,712
Scholarships	5,665	10,665
Split-Interest	72,025	71,689
Cultural Appreciation Programming	<u>15,275</u>	<u>-</u>
Total	<u>\$ 1,558,972</u>	<u>\$ 1,655,993</u>

Net assets for the years ended June 30, 2016 and 2015 were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

Program Restrictions Accomplished:	<u>2016</u>	<u>2015</u>
Pearl S. Buck House	\$ 173,350	\$ 167,996
Scholarships	5,000	5,000
Cultural Appreciation Programming	<u>3,450</u>	<u>-</u>
Total	<u>\$ 181,800</u>	<u>\$ 172,996</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 15. Special Events

The Organization had special events for the years ended June 30:

For the year ended June 30, 2016

	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Other Events</u>	<u>Total</u>
Revenue	\$ 70,332	\$ 34,375	\$ -	\$ 104,707
Expenses	(8,400)	(19,079)	-	(27,479)
Net	<u>\$ 61,932</u>	<u>\$ 15,296</u>	<u>\$ -</u>	<u>\$ 77,228</u>

For the year ended June 30, 2015

	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Other Events</u>	<u>Total</u>
Revenue	\$ 65,097	\$ 27,470	\$ 820	\$ 93,387
Expenses	(4,604)	(14,123)	(7,346)	(26,073)
Net	<u>\$ 60,493</u>	<u>\$ 13,347</u>	<u>\$ (6,526)</u>	<u>\$ 67,314</u>

NOTE 16. Endowment Funds

The Organization adopted Endowments for Not-for-Profit Organizations topic as required by FASB Accounting Standards Codification. The adoption did not have a material impact on the Foundation's financial statements, although it did result in expanded disclosures.

The Organization's endowments consist of individual funds established for a variety of purposes. The endowments consist of permanently restricted investments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Organization have interpreted the law as requiring any donor-restricted contributions as being classified as unrestricted, temporarily restricted, or permanently restricted depending on the nature of the restriction. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 16. Endowment Funds (Continued)

As of June 30, 2016 and 2015, PSBI had donor restricted endowment funds of \$76,300 and \$74,149, respectively. The endowment funds were all classified as permanently restricted net assets.

PSBI spends the income of the endowment fund in accordance with the direction of the donor upon establishment of the fund. The funds are maintained in the investment vehicles as designated by the donors.

Composition of and changes in endowment net assets for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Endowment Net Assets, Beginning of Year	\$ 74,149	\$ 73,514
Contributions	3,376	7,733
Investment Income	2,516	3,422
Net Appreciation (Depreciation)	(2,237)	(2,870)
Amounts Appropriated for Expenditures	<u>(1,504)</u>	<u>(7,650)</u>
Endowment Net Assets, End of Year	<u>\$ 76,300</u>	<u>\$ 74,149</u>

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide growth of the fund through the ownership of securities that have growth potential. The Organization expects its endowment funds, over time, to provide an acceptable long-term return at a level of risk which the Organization has determined to be suitable; however, actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: Investment policy and spending policy are recommended to the Board for approval by the Finance Committee.