

PEARL S. BUCK INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

(See Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pearl S. Buck International
Perkasie, Pennsylvania

Report on the Financial Statements

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, 2017 and 2016, 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, 2017 and 2016, 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.

Bee, Bergvall & Co.

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

Warrington, PA
October 10, 2017

PEARL S. BUCK INTERNATIONAL

Statements of Financial Position

June 30, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents	\$ 419,924	\$ 225,902
Investments - Cash and Cash Equivalents	280,450	4,777
Accounts Receivable	13,700	-
Bequests Receivable	242,630	161,249
Capital Campaign Grant Receivable	1,996	6,220
Current Unconditional Promises to Give	347,128	110,100
Prepaid Insurance	<u>26,283</u>	<u>13,588</u>
Total Current Assets	<u>1,332,111</u>	<u>521,836</u>
Property and Equipment, Net	<u>2,198,888</u>	<u>2,362,708</u>
Other Assets		
Long-Term Unconditional Promises to Give	225,592	191,141
Long-Term Bequests Receivable	10,000	10,000
Investments - General Purpose	27,871	26,968
Investments - Endowment	79,658	76,621
Split-Interest Agreements	<u>132,799</u>	<u>128,708</u>
Total Other Assets	<u>475,920</u>	<u>433,438</u>
 TOTAL ASSETS	 <u>\$ 4,006,919</u>	 <u>\$ 3,317,982</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Mortgage Payable - Current Maturities	\$ 20,325	\$ 19,867
Accounts Payable	98,020	46,720
Accrued Expenses and Other Current Liabilities	<u>131,289</u>	<u>94,835</u>
Total Current Liabilities	<u>249,634</u>	<u>161,422</u>
Long Term Liabilities		
Liabilities Associated with Split-Interest Agreements	104,314	103,617
Mortgage Payable, Less Current Maturities	<u>471,123</u>	<u>491,862</u>
Total Long Term Liabilities	<u>575,437</u>	<u>595,479</u>
Net Assets		
Unrestricted	1,499,358	925,809
Temporarily Restricted	1,599,546	1,558,972
Permanently Restricted	<u>82,944</u>	<u>76,300</u>
Total Net Assets	<u>3,181,848</u>	<u>2,561,081</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,006,919</u>	 <u>\$ 3,317,982</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, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Support and Revenue				
Public Support				
General Contributions	\$ 1,442,146	\$ 265	\$ -	\$ 1,442,411
International Program	620,394	(155)	-	620,239
Special Events (net)	106,633	-	-	106,633
Membership	30,862	-	-	30,862
Total Public Support	<u>2,200,035</u>	<u>110</u>	<u>-</u>	<u>2,200,145</u>
Cultural Programming				
Cultural Immersion	-	-	-	-
Cultural Tours	36,192	-	-	36,192
Multi Cultural Education	-	-	-	-
Student Leadership	-	-	-	-
Consulting	13,700	-	-	13,700
Total Cultural Programming	<u>49,892</u>	<u>-</u>	<u>-</u>	<u>49,892</u>
Earned Revenue				
Pearl S. Buck House Tours	58,203	-	-	58,203
Rental	67,292	-	-	67,292
Other	299	-	-	299
Total Earned Revenue	<u>125,794</u>	<u>-</u>	<u>-</u>	<u>125,794</u>
Grants and Contracts				
Pearl S. Buck House	62,260	265,000	-	327,260
International Programs	-	-	-	-
Vietnam	-	-	-	-
Total Grants and Contracts	<u>62,260</u>	<u>265,000</u>	<u>-</u>	<u>327,260</u>
Interest Income and Miscellaneous	283	-	-	283
Net Assets Released from Restrictions	229,375	(227,930)	(1,445)	-
Total Support and Revenues	<u>2,667,639</u>	<u>37,180</u>	<u>(1,445)</u>	<u>2,703,374</u>
Expenses				
Program Services				
Cultural Programs	216,345	-	-	216,345
International Programs	790,277	-	-	790,277
Pearl S. Buck House	787,962	-	-	787,962
Total Program Services	<u>1,794,584</u>	<u>-</u>	<u>-</u>	<u>1,794,584</u>
Supporting Services				
Management and General	103,654	-	-	103,654
Fundraising	196,933	-	-	196,933
Total Supporting Services	<u>300,587</u>	<u>-</u>	<u>-</u>	<u>300,587</u>
Total Expenses	<u>2,095,171</u>	<u>-</u>	<u>-</u>	<u>2,095,171</u>
Change in Net Assets Before Other Revenue (Expense)	572,468	37,180	(1,445)	608,203
Other Revenues (Expenses)				
Net Investment Income	1,081	-	8,089	9,170
Decrease in Value of Split-Interest Agreements	-	3,394	-	3,394
Total Other Revenues (Expenses)	<u>1,081</u>	<u>3,394</u>	<u>8,089</u>	<u>12,564</u>
Change in Net Assets	573,549	40,574	6,644	620,767
Net Assets, Beginning of Year	925,809	1,558,972	76,300	2,561,081
Net Assets, End of Year	<u>\$ 1,499,358</u>	<u>\$ 1,599,546</u>	<u>\$ 82,944</u>	<u>\$ 3,181,848</u>

Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
\$ 989,402	\$ 17,940	\$ 3,376	\$ 1,010,718
616,393	-	-	616,393
77,228	-	-	77,228
21,275	-	-	21,275
<u>1,704,298</u>	<u>17,940</u>	<u>3,376</u>	<u>1,725,614</u>
16,800	-	-	16,800
79,926	-	-	79,926
639	-	-	639
6,550	-	-	6,550
-	-	-	-
<u>103,915</u>	<u>-</u>	<u>-</u>	<u>103,915</u>
51,461	-	-	51,461
72,186	-	-	72,186
889	-	-	889
<u>124,536</u>	<u>-</u>	<u>-</u>	<u>124,536</u>
23,006	55,000	-	78,006
6,559	-	-	6,559
27,440	-	-	27,440
61,488	10,000	-	71,488
<u>118,493</u>	<u>65,000</u>	<u>-</u>	<u>183,493</u>
80	-	-	80
<u>181,800</u>	<u>(180,297)</u>	<u>(1,503)</u>	<u>-</u>
<u>2,233,122</u>	<u>(97,357)</u>	<u>1,873</u>	<u>2,137,638</u>
200,250	-	-	200,250
803,446	-	-	803,446
<u>733,543</u>	<u>-</u>	<u>-</u>	<u>733,543</u>
<u>1,737,239</u>	<u>-</u>	<u>-</u>	<u>1,737,239</u>
103,857	-	-	103,857
<u>224,227</u>	<u>-</u>	<u>-</u>	<u>224,227</u>
<u>328,084</u>	<u>-</u>	<u>-</u>	<u>328,084</u>
<u>2,065,323</u>	<u>-</u>	<u>-</u>	<u>2,065,323</u>
167,799	(97,357)	1,873	72,315
(456)	-	278	(178)
-	336	-	336
<u>(456)</u>	<u>336</u>	<u>278</u>	<u>158</u>
167,343	(97,021)	2,151	72,473
<u>758,466</u>	<u>1,655,993</u>	<u>74,149</u>	<u>2,488,608</u>
<u>\$ 925,809</u>	<u>\$ 1,558,972</u>	<u>\$ 76,300</u>	<u>\$ 2,561,081</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, 2017

	Program Services			
	Cultural Program	International Program	Pearl S. Buck House	Total
Program/Outreach				
Health	\$ -	\$ 51,256	\$ -	\$ 51,256
Education	-	19,893	-	19,893
Livelihood	-	4,983	-	4,983
Psycho-Social	-	27,680	-	27,680
CB/ID	-	7,813	-	7,813
Program Services	-	277,177	-	277,177
Total Program/Outreach	-	388,802	-	388,802
Operating Expenses				
Salaries	101,030	219,938	312,342	633,310
Benefits	13,733	26,044	23,935	63,712
Payroll Taxes	9,275	18,725	28,802	56,802
Professional Fees	17,189	14,192	56,325	87,706
Accounting	-	-	-	-
Supplies	3,380	5,541	16,548	25,469
Telephone	1,709	4,553	5,940	12,202
Postage & Handling	381	4,270	1,917	6,568
Office/Equipment Rental	1,687	5,288	6,714	13,689
Insurance	4,263	13,557	20,732	38,552
Interest Expense	-	-	21,266	21,266
Utilities	3,090	9,836	22,841	35,767
Maintenance	7,615	24,325	35,925	67,865
Printing	393	1,240	2,224	3,857
Direct Mail Expenses	-	-	-	-
Travel	27,068	28,879	6,812	62,759
Advertising	76	75	2,907	3,058
Conference & Meetings	345	1,010	2,121	3,476
Training	20,134	310	536	20,980
Subscription, Dues & Fees	1,646	2,426	5,375	9,447
Depreciation	1,503	8,571	202,512	212,586
Miscellaneous	22	-	7,453	7,475
Bank Charges	1,806	12,588	4,735	19,129
Foreign Currency Exchange Loss	-	107	-	107
Total Operating Expenses	216,345	401,475	787,962	1,405,782
Total Functional Expenses	\$ 216,345	\$ 790,277	\$ 787,962	\$ 1,794,584
Percentage of Total Expenditures	10.3%	37.8%	37.6%	85.7%

Supporting Services

Management & General	Fundraising	Total	2017 Total
\$ -	\$ -	\$ -	\$ 51,256
-	-	-	19,893
-	-	-	4,983
-	-	-	27,680
-	-	-	7,813
-	-	-	277,177
-	-	-	388,802
48,498	108,336	156,834	790,144
4,123	2,768	6,891	70,603
3,716	8,448	12,164	68,966
4,232	7,769	12,001	99,707
15,950	-	15,950	15,950
998	2,840	3,838	29,307
1,084	2,226	3,310	15,512
243	1,269	1,512	8,080
1,137	2,553	3,690	17,379
10,807	6,410	17,217	55,769
-	-	-	21,266
2,110	4,666	6,776	42,543
5,229	11,654	16,883	84,748
217	406	623	4,480
-	1,712	1,712	1,712
133	750	883	63,642
16	35	51	3,109
1,761	10,537	12,298	15,774
116	202	318	21,298
520	16,424	16,944	26,391
1,964	7,892	9,856	222,442
774	-	774	8,249
26	36	62	19,191
-	-	-	107
<u>103,654</u>	<u>196,933</u>	<u>300,587</u>	<u>1,706,369</u>
<u>\$ 103,654</u>	<u>\$ 196,933</u>	<u>\$ 300,587</u>	<u>\$ 2,095,171</u>
4.9%	9.4%	14.3%	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, 2016

	<u>Program Services</u>			
	<u>Cultural</u>	<u>International</u>	<u>Pearl S. Buck</u>	<u>Total</u>
	<u>Program</u>	<u>Program</u>	<u>House</u>	
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
<u>-</u>	<u>-</u>	<u>-</u>	<u>194</u>
<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 Cash Flows

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 620,767	\$ 72,473
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by (Used in) Operations		
Depreciation	222,442	223,477
Net Realized and Unrealized Loss (Gain) on Investments	(8,959)	2,267
(Increase) Decrease in:		
Accounts Receivable	(13,700)	-
Bequests Receivable	(81,381)	(47,543)
Capital Campaign Grant Receivable	4,224	22,774
Current Unconditional Promises to Give	(237,028)	(2,463)
Prepaid Insurance	(12,695)	(2,101)
Split-Interest Agreements	(4,091)	11,692
Long Term Unconditional Promises to Give	(34,451)	(22,163)
Increase (Decrease) in:		
Accounts Payable	51,300	(26,391)
Accrued Expenses	36,454	(2,187)
Liabilities Associated with Split-Interest Agreements	697	(12,028)
Net Cash Provided by (Used in) Operating Activities	<u>543,579</u>	<u>217,807</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(58,621)	(41,885)
Purchase of Investments	-	(1,667)
Proceeds from Sale of Investments	5,018	-
Net Cash Provided by (Used in) Investing Activities	<u>(53,603)</u>	<u>(43,552)</u>
Cash Flows from Financing Activities		
Drawdown on Line of Credit	-	(25,000)
Repayment of Mortgage Payable	(20,281)	(19,338)
Net Cash Provided By (Used In) Financing Activities	<u>(20,281)</u>	<u>(44,338)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	469,695	129,917
Cash and Cash Equivalents, Beginning	<u>230,679</u>	<u>100,762</u>
Cash and Cash Equivalents, Ending	<u>\$ 700,374</u>	<u>\$ 230,679</u>
Cash and Cash Equivalents	\$ 419,924	\$ 225,902
Investments - Cash and Cash Equivalents	<u>280,450</u>	<u>4,777</u>
Total Cash and Cash Equivalents	<u>\$ 700,374</u>	<u>\$ 230,679</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 21,266</u>	<u>\$ 26,200</u>

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1. Summary of Significant Accounting Policies

Nature of Operations: Pearl S. Buck International (PSBI) provides opportunities to explore and appreciate other cultures, builds better lives for children around the globe and promotes the legacy of our founder by preserving and interpreting her National Historic Landmark Home. The functions of the Organization include:

- International Programs - Serving children and families who would otherwise be denied basic nutrition, health care and education. (formerly branded “Opportunity House”).
- Cultural Programs - Offering opportunities for international exchange, cultural awareness and diversity appreciation to equip people with the skills necessary to thrive in the 21st Century.
- Pearl S. Buck House - Inspiring people who visit the Pearl S. Buck House by her story, so that they embrace and engage in her continuing legacy.

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.
- *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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1. Summary of Significant Accounting Policies (Continued)

Promises to Give and Pledges Receivable: (continued)

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, 2017 and 2016, an allowance was not warranted.

Accounts Receivable and Allowance for Doubtful Accounts: Receivables consist mainly of short-term fees from school districts and other organizations participating in the Cultural Programs. 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 uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off. As of June 30, 2017 and 2016, 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, 2017 and 2016, PSBI had received notices of bequests in the amount of \$252,630 and \$171,249, 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, 2017 and 2016

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.

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.

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, 2017 and 2016, there was a loss of \$107 and \$194, respectively, on foreign currency translations and exchanges.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1. Summary of Significant Accounting Policies (Continued)

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).

The Organization's informational tax returns are subject to review and examination by federal, state and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

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.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 2. 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. Unconditional promises to give are reported at net realizable value if at the time the promise is made, payment is expected to be received in one year or less.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 2. Fair Value of Financial Instruments (Continued)

Unconditional promises that are expected to be collected in more than one year reported a fair value initially, and in subsequent periods, because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of the fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statement that if those promises were measured using present value techniques and historical discount rates. When estimating fair value, management considers the relationship with the donor, the donor's past history of making timely payments and the donor's overall creditworthiness are considered.

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, 2017 and 2016:

	For the year ended June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Non-Endowed	\$ 27,871	\$ -	\$ -	\$ 27,871
Endowed	<u>5,287</u>	<u>74,371</u>	<u>-</u>	<u>79,658</u>
Total Investment Return	33,158	74,371	-	107,529
Split-Interest Agreements	<u>-</u>	<u>132,799</u>	<u>-</u>	<u>132,799</u>
	<u>\$ 33,158</u>	<u>\$ 207,170</u>	<u>\$ -</u>	<u>\$ 240,328</u>

	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>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 3. Concentrations of Credit Risk

Financial instruments that potentially expose PSBI to concentrations of credit risk consist primarily of cash and cash equivalents, promises to give, and investments. The balances in banks are insured by Federal Deposit Insurance Corporation up to FDIC \$250,000 deposit insurance amount. As of June 30, 2017 and 2016, the amount of uninsured cash balances were \$85,375 and \$0, respectively.

Concentrations of credit risk with respect to promises to give are limited to due the large number of contributors comprising the Organization's contributor base. However, as of June 30, 2017 and 2016, one donor represented 20% and a different donor represented 23% of the total outstanding promises to give, respectively.

Investments are diversified in a way that is consistent with the risk tolerance and investment objectives of PSBI's investment policies and guidelines. Management has placed these funds in high quality institutions in order to minimize the risk.

NOTE 4. Unconditional Promises and Pledges to Give

PSBI has received a various pledges and grants for the year ended June 30, 2017 and 2016. Grants and pledges receivable for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Capital Campaign	\$ 1,996	\$ 6,220
Living the Legacy	315,033	235,541
Tours	200,000	-
Major Donors	48,000	64,000
Bequests	252,630	171,249
Other	9,687	1,700
Total	<u>\$ 827,346</u>	<u>\$ 478,710</u>

Unconditional promises to give as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Receivable in Less than One Year	\$ 501,754	\$ 279,576
Receivable in One to Five Years	<u>325,592</u>	<u>199,134</u>
Total Receivables	827,346	478,710
Less: Discount to Present Value	<u>-</u>	<u>-</u>
Net Receivable	<u>\$ 827,346</u>	<u>\$ 478,710</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 5. Investments - General Purpose and Endowments

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

	<u>2017</u>	<u>2016</u>
Mutual Fund Investments:		
Fixed Income	\$ 27,871	\$ 26,968
Endowments	<u>79,658</u>	<u>76,621</u>
Total	<u>\$ 107,529</u>	<u>\$ 103,589</u>

As of June 30, 2017, the Endowment funds are comprised of \$73,912 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, 2016, the Endowment funds were comprised of \$70,875 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.

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

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 3,606	\$ 2,427
Net Unrealized Gain (Loss) on Investments	<u>5,564</u>	<u>(2,605)</u>
Total	<u>\$ 9,170</u>	<u>\$ (178)</u>

NOTE 6. Investments - Split-Interest Agreements

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

	<u>2017</u>	<u>2016</u>
Charitable Remainder Trusts	<u>\$ 132,799</u>	<u>\$ 128,708</u>
Total	<u>\$ 132,799</u>	<u>\$ 128,708</u>

An unrealized gain of \$3,394 and an unrealized loss of \$336 related to split-interest agreements were recorded for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, and a related liability representing the present value of the estimated future payments.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 6. Investments - Split-Interest Agreements (Continued)

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 \$104,314 and \$103,617 at June 30, 2017 and 2016, respectively, which equals the share of the split-interest agreements which will go to beneficiaries other than the PSBI.

NOTE 7. Property and Equipment

Property and equipment comprise the following at June 30:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives (Years)</u>
Land and Improvements	\$ 168,410	\$ 168,410	
Building and Improvements	5,295,816	5,287,971	10 - 25
Furniture, Fixture and Equipment	209,939	173,949	5 - 10
Computer Equipment	52,094	43,606	5
Vehicles	26,851	20,551	5
Total	<u>5,753,110</u>	<u>5,694,487</u>	
Less: Accumulated Depreciation	<u>(3,554,222)</u>	<u>(3,331,779)</u>	
Total Property and Equipment	<u>\$ 2,198,888</u>	<u>\$ 2,362,708</u>	

Depreciation expense for the years ended June 30, 2017 and 2016 was \$222,442 and \$223,477, respectively.

NOTE 8. 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. No scholarship was awarded for the year ended June 30, 2017 and one \$5,000 scholarship was awarded for the year ended June 30, 2016.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 9. 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, 2017 and 2016 was \$52,996 and \$46,630, respectively.

NOTE 10. Line of Credit and Mortgage Payable

PSBI has a \$300,000 secured line of credit with a commercial bank that bears interest at 4.25%. The agreement which is set to renew annually will expire 07/15/18. There was no outstanding balance at June 30, 2017 or June 30, 2016. Substantially all of the assets of PSBI collateralize this line 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, 2017 and 2016 was \$26,200 and \$27,028, respectively.

Estimated future maturities on the mortgage payable as of June 30, 2017 were as follows:

<u>Years Ending June 30.</u>	
2018	\$ 20,325
2019	21,650
2020	22,550
2021	23,594
2022	24,632
2023 and thereafter	<u>378,697</u>
Total	<u>\$ 491,448</u>

NOTE 11. 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 12. 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, 2017 and 2016 amounted to \$9,415 and \$9,861, respectively.

NOTE 13. Related Party Transactions

PSBI maintains a line of credit and four 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 as of June 30, 2017 or June 30, 2016. The cash balances in these accounts were \$335,375 and \$142,632 as of June 30, 2017 and June 30, 2016, respectively.

NOTE 14. 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, 2017 and 2016 was \$15,697 and \$23,093, respectively.

NOTE 15. 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Education Program	\$ 21,422	\$ 21,422
Nutrition Project	-	17,505
Pearl S. Buck House	1,497,040	1,427,080
Scholarships	5,665	5,665
Split-Interest	75,419	72,025
Cultural Appreciation Programming	-	15,275
Total	<u>\$ 1,599,546</u>	<u>\$ 1,558,972</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 15. Restricted Net Assets (Continued)

Net assets for the years ended June 30, 2017 and 2016 were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

Program Restrictions Accomplished:	<u>2017</u>	<u>2016</u>
Pearl S. Buck House	\$ 147,949	\$ 173,350
Scholarships	-	5,000
Cultural Appreciation Programming	<u>81,426</u>	<u>3,450</u>
Total	<u>\$ 229,375</u>	<u>\$ 181,800</u>

NOTE 16. Special Events

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

For the year ended June 30, 2017

	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Global Luncheon</u>	<u>Total</u>
Revenue	\$ 68,777	\$ 37,555	\$ 42,362	\$ 148,694
Expenses	<u>(13,781)</u>	<u>(15,081)</u>	<u>(13,199)</u>	<u>(42,061)</u>
Net	<u>\$ 54,996</u>	<u>\$ 22,474</u>	<u>\$ 29,163</u>	<u>\$ 106,633</u>

For the year ended June 30, 2016

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

NOTE 17. 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 17. Endowment Funds (Continued)

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

As of June 30, 2017 and 2016, PSBI had donor restricted endowment funds of \$82,944 and \$76,300, 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, 2017 and 2016 were as follows:

Endowment Funds	<u>2017</u>	<u>2016</u>
Endowment Net Assets, Beginning of Year	\$ 76,300	\$ 74,149
Contributions	-	3,376
Investment Income	2,945	2,516
Net Appreciation (Depreciation)	5,144	(2,237)
Amounts Appropriated for Expenditures	<u>(1,445)</u>	<u>(1,504)</u>
Endowment Net Assets, End of Year	<u>\$ 82,944</u>	<u>\$ 76,300</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 17. Endowment Funds (Continued)

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.