

PEARL S. BUCK INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017
(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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted *ASU 2016-14 (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The implementation of this standard resulted in reclassification of net asset accounts as well as additional disclosures. The most significant changes are more fully discussed in Note 1.

Bee, Bergvall & Co.

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

Warrington, PA
November 5, 2018

PEARL S. BUCK INTERNATIONAL

Statements of Financial Position

June 30, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 313,399	\$ 419,927
Investments - Cash and Cash Equivalents	283,988	280,450
Accounts Receivable	52,732	13,700
Bequests Receivable	279,165	242,630
Capital Campaign- Promises to Give	97,489	1,996
Current Unconditional Promises to Give	179,058	347,128
Prepaid Insurance	28,804	26,283
Total Current Assets	<u>1,234,635</u>	<u>1,332,114</u>
Property and Equipment, Net	<u>2,219,435</u>	<u>2,198,888</u>
Other Assets		
Long-Term Unconditional Promises to Give	313,364	225,592
Long-Term Bequests Receivable	-	10,000
Investments - General Purpose	104,955	102,242
Investments - Endowment	6,171	5,287
Split-Interest Agreements	135,464	132,799
Total Other Assets	<u>559,954</u>	<u>475,920</u>
 TOTAL ASSETS	 <u>\$ 4,014,024</u>	 <u>\$ 4,006,922</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Mortgage Payable - Current Maturities	\$ 23,447	\$ 20,325
Accounts Payable	131,367	98,020
Accrued Expenses and Other Current Liabilities	74,364	131,289
Total Current Liabilities	<u>229,178</u>	<u>249,634</u>
Long Term Liabilities		
Liabilities Associated with Split-Interest Agreements	103,628	104,314
Mortgage Payable, Less Current Maturities	449,838	471,123
Total Long Term Liabilities	<u>553,466</u>	<u>575,437</u>
Net Assets		
Without Donor Restrictions		
Undesignated	866,094	(202,689)
Designated by the Board for Endowment	76,500	74,371
Invested in Property and Equipment, Net of Related Debt	1,746,150	1,707,440
Total Without Donor Restrictions	<u>2,688,744</u>	<u>1,579,122</u>
With Donor Restrictions		
Perpetual in nature	3,180	3,180
Purpose restrictions	539,456	1,599,549
Total With Donor Restrictions	<u>542,636</u>	<u>1,602,729</u>
Total Net Assets	<u>3,231,380</u>	<u>3,181,851</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,014,024</u>	 <u>\$ 4,006,922</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, 2018 and 2017

	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>2018</u> <u>Total</u>	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>2017</u> <u>Total</u>
Support and Revenue						
Public Support						
General Contributions	\$ 884,627	\$ 395,277	\$ 1,279,904	\$ 1,442,146	\$ 265	\$ 1,442,411
International Program	626,909	-	626,909	620,394	(155)	620,239
Special Events (net)	69,406	-	69,406	106,633	-	106,633
Membership	24,190	-	24,190	30,862	-	30,862
Total Public Support	<u>1,605,132</u>	<u>395,277</u>	<u>2,000,409</u>	<u>2,200,035</u>	<u>110</u>	<u>2,200,145</u>
Cultural Programming						
Cultural Immersion	17,435	-	17,435	-	-	-
Cultural Tours	80,850	-	80,850	36,192	-	36,192
Consulting	54,662	-	54,662	13,700	-	13,700
Total Cultural Programming	<u>152,947</u>	<u>-</u>	<u>152,947</u>	<u>49,892</u>	<u>-</u>	<u>49,892</u>
Earned Revenue						
Pearl S. Buck House Tours	50,323	-	50,323	58,203	-	58,203
Rental	54,469	-	54,469	67,292	-	67,292
Other	10,161	-	10,161	299	-	299
Total Earned Revenue	<u>114,953</u>	<u>-</u>	<u>114,953</u>	<u>125,794</u>	<u>-</u>	<u>125,794</u>
Grants and Contracts						
Pearl S. Buck House	78,461	-	78,461	62,260	265,000	327,260
International Programs	3,800	-	3,800	-	-	-
Philippines	6,950	-	6,950	-	-	-
Cultural Programs	25,000	7,500	32,500	-	-	-
Total Grants and Contracts	<u>114,211</u>	<u>7,500</u>	<u>121,711</u>	<u>62,260</u>	<u>265,000</u>	<u>327,260</u>
Net Assets Released from Restrictions	<u>1,466,218</u>	<u>(1,466,218)</u>	<u>-</u>	<u>227,930</u>	<u>(227,930)</u>	<u>-</u>
Total Support and Revenues	<u>3,453,461</u>	<u>(1,063,441)</u>	<u>2,390,020</u>	<u>2,665,911</u>	<u>37,180</u>	<u>2,703,091</u>
Expenses						
Program Services						
Cultural Programs	394,276	-	394,276	216,345	-	216,345
International Programs	787,476	-	787,476	790,277	-	790,277
Pearl S. Buck House	890,705	-	890,705	787,962	-	787,962
Total Program Services	<u>2,072,457</u>	<u>-</u>	<u>2,072,457</u>	<u>1,794,584</u>	<u>-</u>	<u>1,794,584</u>
Supporting Services						
Management and General	104,248	-	104,248	103,654	-	103,654
Fundraising	177,949	-	177,949	196,933	-	196,933
Total Supporting Services	<u>282,197</u>	<u>-</u>	<u>282,197</u>	<u>300,587</u>	<u>-</u>	<u>300,587</u>
Total Expenses	<u>2,354,654</u>	<u>-</u>	<u>2,354,654</u>	<u>2,095,171</u>	<u>-</u>	<u>2,095,171</u>
Change in Net Assets Before Other Revenue (Expense)	1,098,807	(1,063,441)	35,366	570,740	37,180	607,920
Other Revenues (Expenses)						
Net Investment Income	10,815	-	10,815	9,453	-	9,453
Increase in Value of Split-Interest Agreements	-	3,351	3,351	-	3,394	3,394
Total Other Revenues (Expenses)	<u>10,815</u>	<u>3,351</u>	<u>14,166</u>	<u>9,453</u>	<u>3,394</u>	<u>12,847</u>
Change in Net Assets	1,109,622	(1,060,090)	49,532	580,193	40,574	620,767
Net Assets, Beginning of Year	<u>1,579,122</u>	<u>1,602,726</u>	<u>3,181,848</u>	<u>998,929</u>	<u>1,562,152</u>	<u>2,561,081</u>
Net Assets, End of Year	<u>\$ 2,688,744</u>	<u>\$ 542,636</u>	<u>\$ 3,231,380</u>	<u>\$ 1,579,122</u>	<u>\$ 1,602,726</u>	<u>\$ 3,181,848</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, 2018

	Program Services			
	Cultural Program	International Program	Pearl S. Buck House	Total
Program/Outreach				
Health	\$ -	\$ 39,278	\$ -	\$ 39,278
Education	-	29,534	-	29,534
Livelihood	-	-	-	-
Psycho-Social	-	17,165	-	17,165
CB/ID	-	8,102	-	8,102
Program Services	-	322,125	-	322,125
Total Program/Outreach	-	416,204	-	416,204
Operating Expenses				
Salaries	201,564	222,499	380,173	804,236
Benefits	16,231	23,445	30,321	69,997
Payroll Taxes	18,066	19,780	35,408	73,254
Professional Fees	11,672	10,056	61,587	83,315
Accounting	-	-	-	-
Supplies	7,679	3,804	18,302	29,785
Telephone	3,249	4,077	5,890	13,216
Postage & Handling	702	3,679	1,455	5,836
Office/Equipment Rental	3,658	5,336	7,439	16,433
Insurance	8,461	10,874	20,266	39,601
Interest Expense	-	-	23,385	23,385
Utilities	6,344	8,153	28,080	42,577
Maintenance	11,752	15,429	25,365	52,546
Printing	385	220	13,758	14,363
Direct Mail Expenses	-	-	-	-
Travel	70,387	17,769	949	89,105
Advertising	108	138	6,290	6,536
Conference & Meetings	2,250	1,284	1,823	5,357
Training	10,427	269	411	11,107
Subscription, Dues & Fees	12,032	2,476	6,915	21,423
Equipment (Non Capital)	944	-	-	944
Depreciation	6,284	9,180	212,813	228,277
Miscellaneous	29	324	7,710	8,063
Bank Charges	2,052	13,640	2,365	18,057
Foreign Currency Exchange Loss	-	(1,160)	-	(1,160)
Total Operating Expenses	394,276	371,272	890,705	1,656,253
Total Functional Expenses	\$ 394,276	\$ 787,476	\$ 890,705	\$ 2,072,457
Percentage of Total Expenditures	16.7%	33.5%	37.8%	88.0%

Supporting Services

<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018 Total</u>
\$ -	\$ -	\$ -	\$ 39,278
-	-	-	29,534
-	-	-	-
-	-	-	17,165
-	-	-	8,102
-	-	-	322,125
<u>-</u>	<u>-</u>	<u>-</u>	<u>416,204</u>
55,004	109,376	164,380	968,616
4,610	4,903	9,513	79,510
4,317	8,416	12,733	85,987
3,436	4,790	8,226	91,541
13,400	-	13,400	13,400
945	1,717	2,662	32,447
973	1,533	2,506	15,722
697	2,171	2,868	8,704
988	2,167	3,155	19,588
10,932	4,718	15,650	55,251
-	-	-	23,385
1,613	3,538	5,151	47,728
3,062	6,716	9,778	62,324
6	14	20	14,383
-	-	-	-
77	1,633	1,710	90,815
-	810	810	7,346
1,252	7,862	9,114	14,471
53	216	269	11,376
490	13,798	14,288	35,711
-	-	-	944
1,598	3,505	5,103	233,380
420	6	426	8,489
375	60	435	18,492
-	-	-	(1,160)
<u>104,248</u>	<u>177,949</u>	<u>282,197</u>	<u>1,938,450</u>
<u>\$ 104,248</u>	<u>\$ 177,949</u>	<u>\$ 282,197</u>	<u>\$ 2,354,654</u>
4.4%	7.6%	12.0%	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, 2017

	<u>Program Services</u>			
	<u>Cultural Program</u>	<u>International Program</u>	<u>Pearl S. Buck House</u>	<u>Total</u>
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	<u>-</u>	<u>388,802</u>	<u>-</u>	<u>388,802</u>
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
Audit Fees	-	-	-	-
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	<u>216,345</u>	<u>401,475</u>	<u>787,962</u>	<u>1,405,782</u>
Total Functional Expenses	<u>\$ 216,345</u>	<u>\$ 790,277</u>	<u>\$ 787,962</u>	<u>\$ 1,794,584</u>
Percentage of Total Expenditures	10.3%	37.7%	37.6%	85.7%

<u>Supporting Services</u>			
<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2017 Total</u>
\$ -	\$ -	\$ -	\$ 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 Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 49,532	\$ 620,767
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by (Used in) Operations		
Depreciation	233,380	222,442
Change in Split- Interest Agreement, net	(3,351)	(3,394)
Net Realized and Unrealized Loss (Gain) on Investments	(1,522)	(8,959)
(Increase) Decrease in:		
Accounts Receivable	(39,032)	(13,700)
Bequests Receivable	(26,535)	(81,381)
Capital Campaign Grant Receivable	(95,493)	4,224
Current Unconditional Promises to Give	168,070	(237,028)
Prepaid Insurance	(2,521)	(12,695)
Increase (Decrease) in:		
Accounts Payable	33,347	51,300
Accrued Expenses	<u>(56,925)</u>	<u>36,454</u>
Net Cash Provided by (Used in) Operating Activities	<u>258,950</u>	<u>578,030</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(253,927)	(58,621)
Purchase of Investments	(2,078)	-
Proceeds from Sale of Investments	<u>-</u>	<u>5,021</u>
Net Cash Provided by (Used in) Investing Activities	<u>(256,005)</u>	<u>(53,600)</u>
Cash Flows from Financing Activities		
Cash contributions restricted for long - term purposes.	(87,772)	(34,451)
Repayment of Mortgage Payable	<u>(18,163)</u>	<u>(20,281)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(105,935)</u>	<u>(54,732)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(102,990)	469,698
Cash and Cash Equivalents, Beginning	<u>700,377</u>	<u>230,679</u>
Cash and Cash Equivalents, Ending	<u>\$ 597,387</u>	<u>\$ 700,377</u>
Cash and Cash Equivalents	\$ 313,399	\$ 419,927
Investments - Cash and Cash Equivalents	<u>283,988</u>	<u>280,450</u>
Total Cash and Cash Equivalents	<u>\$ 597,387</u>	<u>\$ 700,377</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 23,385</u>	<u>\$ 21,266</u>

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

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.

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.

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, 2018 and 2017, an allowance was not warranted.

Promises to Give: 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 net assets with donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

We initially record unconditional promises to give and subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There were no promises that were uncollectable at June 30, 2018 or 2017.

Property and Equipment: Property and equipment with a useful life in excess of one year and a unit cost in excess of \$2,500 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.

The Collections include the Pearl S. Buck House, a National Historic Landmark in Bucks County, PA as well as art, photography and/or artifacts that relate to the legacy of Pearl S. Buck. The Organization has developed a policy that ensures that Collections are maintained, displayed and preserved in accordance with professional museum standards.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Collections (continued)

The Collections include the Pearl S. Buck House, a National Historic Landmark in Bucks County, PA as well as art, photography and/or artifacts that relate to the legacy of Pearl S. Buck. The Organization has developed a policy that ensures that Collections are maintained, displayed and preserved in accordance with professional museum standards.

Assets Held and Liabilities Under Split-Interest Agreements: 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, 2018 and 2017, 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.

Beneficial Interest in Assets Held by Community Foundation: During 2009, we established an endowment fund that is perpetual in nature (the fund) under a community foundation. The endowment fund was created in memory of John Long. The fund is held and invested by the community foundation for our benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Investments: We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions a board-designated endowment.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition: Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 net assets with donor restrictions. Restrictions are considered met, and an appropriate amount reclassified to net assets without donor restrictions, over the useful life of the long-lived assets as calculated by the PSBI's depreciation policy.

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. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2018 and 2017, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

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, 2018 and 2017, there was a loss of \$1,160 and \$107, respectively, on foreign currency translations and exchanges.

Advertising Costs: Advertising costs are expensed as incurred.

Functional Allocation of Expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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).

PSBI is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Reclassification: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent Accounting Guidance: The Organization adopted ASU 2016-14 (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The effective date of the Standard is June 30, 2019, however, the Organization decided to implement this standard early. The prior period statements have been reclassified in accordance with this standard.

The most significant changes in the financial statement for the year ended 2017 were:

- Restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset are reclassified from net assets with donor restrictions to net assets without donor restrictions for assets that have been placed in the year of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset). As a result, the Organization released \$1,461,218 in capital expenses which would have previously been released over the life of the assets.
- Net asset classes were reduced from three to two.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Prior Period Adjustment: Net Assets reported as of the beginning of fiscal year June 1, 2017 have been adjusted for the following:

During the year ended June 30, 2018 it was determined that the John F. Long Endowment was not donor restricted when the endowment was established June 19, 2009. These funds were designated as an endowment by the Board. Therefore, the opening net assets at June 1, 2017 were restated to transfer \$73,120 from Net Assets With Donor Restrictions to Net Assets Without Donor Restrictions. The correction has no effect on the results of current year's activities.

Net Assets were adjusted as follows:

	Without Donor Restrictions	With Donor Restrictions	2017 Total
Net Assets, Beginning of the Year July 1, 2016	\$ 925,809	\$ 1,635,272	\$ 2,561,081
Prior period adjustment	73,120	(73,120)	-
Net Assets, Beginning of the Year, as restated	998,929	1,562,152	2,561,081
Change in Net Assets	580,193	40,574	620,767
Net Assets, End of the Year, as restated June 30, 2017	<u>\$ 1,579,122</u>	<u>\$ 1,602,726</u>	<u>\$ 3,181,848</u>

NOTE 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 350,141
Accounts receivable	331,897
Operating investments	28,456
Promises to give	179,058
	<u>\$ 889,552</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 2. Liquidity and Availability (Continued)

The interest earned on our board designated endowment of \$76,500 is subject to the interest being available for general use upon approval of the board. Although, we do not intend to spend from this board-designated endowment, these amounts could be made available for general expenditure at the discretion of the board, if necessary.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments and money market funds.

NOTE 3. Fair Value of Financial Instruments

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 3. Fair Value of Financial Instruments (Continued)

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.

Unconditional promises that are expected to be collected in more than one year reported a fair value initially, and in subsequent periods. 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, 2018 and 2017:

<u>For the year ended June 30, 2018</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Operating investments				
Short-term bond mutual fund	\$ 28,456	\$ -	\$ -	\$ 28,456
				-
Assets held under split-interest agreements				
Equity mutual funds	-	128,842	-	128,842
Alternative mutual funds	-	6,621	-	6,621
Endowment investments				
Assets held by community foundation	-	-	76,500	76,500
Fixed income mutual funds	6,171	-	-	6,171
Promises to give	-	-	869,076	869,076
	<u>\$ 34,627</u>	<u>\$ 135,463</u>	<u>\$ 945,576</u>	<u>\$ 1,115,666</u>

<u>For the year ended June 30, 2017</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Operating investments				
Short-term bond mutual fund	\$ 27,870	\$ -	\$ -	\$ 27,870
Assets held under split-interest agreements				
Equity mutual funds	-	126,294	-	126,294
Alternative mutual funds	-	6,506	-	6,506
Endowment investments				
Assets held by community foundation	-	-	74,371	74,371
Fixed income mutual funds	5,287	-	-	5,287
Promises to give	-	-	827,346	827,346
	<u>\$ 33,157</u>	<u>\$ 132,800</u>	<u>\$ 901,717</u>	<u>\$ 1,067,674</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 3. Fair Value of Financial Instruments (Continued)

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017:

	<u>Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3) Beneficial Interests</u>
	<u>Assets Held by Community Foundation</u>
<u>Year Ended June 30, 2018</u>	
Balance at June 30, 2017	\$ 74,371
Investment return, net	3,644
Distributions	<u>(1,515)</u>
Balance at June 30, 2018	<u>\$ 76,500</u>
<u>Year Ended June 30, 2017</u>	
Balance at June 30, 2016	\$ 73,120
Investment return, net	2,696
Distributions	<u>(1,445)</u>
Balance at June 30, 2017	<u>\$ 74,371</u>

The table below presents information about the changes in unconditional promises to give.

<u>Year Ended June 30, 2018</u>	
Balance at June 30, 2017	\$ 827,346
New promises	2,490,512
Collections	<u>(2,448,782)</u>
Balance at June 30, 2018	<u>\$ 869,076</u>
<u>Year Ended June 30, 2017</u>	
Balance at June 30, 2016	\$ 476,706
New promises	2,039,312
Collections	<u>(1,688,672)</u>
Balance at June 30, 2017	<u>\$ 827,346</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 4. 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, 2018 and 2017, the amount of uninsured cash balances was \$34,165 and \$85,375, 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.

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 5. Unconditional Promises

PSBI has received various grants for the years ended June 30, 2018 and 2017. Grants receivable for the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ -	\$ 1,996
Living the Legacy	335,066	315,033
Pearl S. Buck House	-	200,000
Conference Center Campaign	193,845	-
Cultural Programs	61,000	-
Major Donors	-	48,000
Bequests	279,165	252,630
Other	-	9,687
Total	<u>\$ 869,076</u>	<u>\$ 827,346</u>

Unconditional promises to give as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Receivable in Less than One Year	\$ 555,712	\$ 591,754
Receivable in One to Five Years	<u>313,364</u>	<u>235,592</u>
Total Receivables	<u>869,076</u>	<u>827,346</u>
Net Receivable	<u>\$ 869,076</u>	<u>\$ 827,346</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 6. Property and Equipment

Property and equipment comprise the following at June 30:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives (Years)</u>
Land and Improvements	\$ 168,410	\$ 168,410	
Construction in Progress	42,814	-	
Building and Improvements	5,387,300	5,295,816	10 - 25
Furniture, Fixture and Equipment	326,321	209,939	5 - 10
Computer Equipment	55,341	52,094	5
Vehicles	26,851	26,851	5
Total	<u>6,007,037</u>	<u>5,753,110</u>	
Less: Accumulated Depreciation	<u>(3,787,602)</u>	<u>(3,554,222)</u>	
Total Property and Equipment	<u>\$ 2,219,435</u>	<u>\$ 2,198,888</u>	

Depreciation expense for the years ended June 30, 2018 and 2017 was \$233,380 and \$222,442, respectively.

NOTE 7. Scholarship Programs

PSBI has the following scholarship programs for which the net assets are classified Net Assets With Donor Restrictions.

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. For the year ended June 30, 2018 a \$5,000 scholarship was awarded and no scholarship was awarded for the year ended June 30, 2017. The scholarship awarded for the year ended June 30, 2018 was the final distribution for this program.

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, 2018 and 2017 was \$55,460 and \$52,996, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 9. 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 07/15/19. There was no outstanding balance at June 30, 2018 or June 30, 2017. 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%. The new monthly payments are \$3,462. The interest expense for the years ended June 30, 2018 and 2017 was \$26,200 and \$27,028, respectively.

Estimated future maturities on the mortgage payable as of June 30, 2018 were as follows:

<u>Years Ending June 30,</u>	
2019	\$ 23,447
2020	22,550
2021	23,594
2022	24,632
2023	25,713
Thereafter	<u>353,349</u>
Total	<u>\$ 473,285</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, 2018 and 2017 amounted to \$14,028 and \$9,415, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 12. Related Party Transactions

PSBI maintains a line of credit and 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, 2018 or June 30, 2017. The cash balances in these accounts were \$47,882 and \$339,273 as of June 30, 2018 and June 30, 2017, respectively.

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, 2018 and 2017 was \$19,208 and \$15,697, respectively. The leases were extended with expiration dates in 2023. Future minimum lease payments are as follows:

Year Ended June 30,	
2019	\$ 18,036
2020	18,036
2021	18,036
2022	18,036
2023	<u>6,864</u>
	<u>\$ 79,008</u>

NOTE 14. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes or periods.

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Education Program	\$ 21,422	\$ 21,422
Pearl S. Buck House	439,264	1,497,040
Scholarships	<u>-</u>	<u>5,665</u>
	<u>460,686</u>	<u>1,524,127</u>
Subject to the passage of time:		
Assets held under split-interest agreements	<u>78,770</u>	<u>75,419</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for		
General use	<u>3,180</u>	<u>3,180</u>
Total	<u>\$ 542,636</u>	<u>\$ 1,602,726</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 14. Net Assets with Donor Restrictions (Continued)

Net assets for the years ended June 30, 2018 and 2017 were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows or by occurrence of passage of time or other events specified by the donors:

	<u>2018</u>	<u>2017</u>
Restricted -purpose spending rate distributions and appropriations		
Scholarships	\$ 5,000	\$ -
Building	1,461,218	227,930
	<u>\$ 1,466,218</u>	<u>\$ 227,930</u>

NOTE 15. Special Events

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

For the year ended June 30, 2018

	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Global Luncheon</u>	<u>Total</u>
Revenue	\$ 53,391	\$ 42,548	\$ -	\$ 95,939
Expenses	(11,604)	(14,929)	-	(26,533)
Net	<u>\$ 41,787</u>	<u>\$ 27,619</u>	<u>\$ -</u>	<u>\$ 69,406</u>

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	(13,781)	(15,081)	(13,199)	(42,061)
Net	<u>\$ 54,996</u>	<u>\$ 22,474</u>	<u>\$ 29,163</u>	<u>\$ 106,633</u>

NOTE 16. Endowment Funds

The Organization's endowments consist of individual funds established for a variety of purposes. The endowments consist 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, 2018 and 2017

NOTE 16. 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 Net Assets Without Restrictions or Net Assets With Restrictions 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, 2018 and 2017, PSBI had the following endowment net asset composition by type of fund.

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>2018</u>			
Board- designated endowment funds	\$ 76,500	\$ -	\$ 76,500
Donor - restricted endowment funds	-	3,180	3,180
	<u>\$ 76,500</u>	<u>\$ 3,180</u>	<u>\$ 79,680</u>
<u>2017</u>			
Board- designated endowment funds	\$ 74,371	\$ -	\$ 74,371
Donor - restricted endowment funds	-	3,180	3,180
	<u>\$ 74,371</u>	<u>\$ 3,180</u>	<u>\$ 77,551</u>

PSBI spends the income of the endowment fund in accordance with the direction of the donor upon establishment of the fund.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 16. Endowment Funds (Continued)

Composition of and changes in endowment net assets for the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$	74,371	\$ 3,180	\$ 77,551
Contributions		-	-	-
Investment Income		1,476	-	1,476
Net Appreciation (Depreciation)		2,168	-	2,168
Amounts Appropriated for Expenditures		<u>(1,515)</u>	<u>-</u>	<u>(1,515)</u>
Endowment Net Assets, End of Year	<u>\$</u>	<u>76,500</u>	<u>\$ 3,180</u>	<u>\$ 79,680</u>
	<u>2017</u>			
Endowment net assets, beginning of the year	\$	73,120	\$ 3,180	\$ 76,300
Contributions		-	-	-
Investment Income		1,213	-	1,213
Net Appreciation (Depreciation)		1,483	-	1,483
Amounts Appropriated for Expenditures		<u>(1,445)</u>	<u>-</u>	<u>(1,445)</u>
Endowment Net Assets, End of Year	<u>\$</u>	<u>74,371</u>	<u>\$ 3,180</u>	<u>\$ 77,551</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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 17. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses that are allocated include, occupancy, depreciation, salaries, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated based on estimates of time and effort spent by each employee allocated to the program or supporting function. The percentage of total salaries of the program or supporting function is used to allocate expenses.