

PEARL S. BUCK INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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 16, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Pearl S. Buck International's operational and financial performance. At this point Pearl S. Buck International, cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.



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

Warrington, PA
October 20, 2020

PEARL S. BUCK INTERNATIONAL

Statements of Financial Position

June 30, 2020 and 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 211,940	\$ 256,404
Investments - Cash and Cash Equivalents	3,551	93,311
Investments - Operating	29,894	29,030
Accounts Receivable	24,397	28,957
Current Unconditional Promises to Give	442,036	242,802
Prepaid Expenses	13,602	24,815
Total Current Assets	<u>725,420</u>	<u>675,319</u>
Property and Equipment, Net	<u>1,826,573</u>	<u>2,059,315</u>
Other Assets		
Long-Term Unconditional Promises to Give, net	300,423	237,700
Investments - General Purpose	76,500	79,673
Investments - Endowment	5,914	6,171
Split-Interest Agreements	130,250	135,513
Total Other Assets	<u>513,087</u>	<u>459,057</u>
 TOTAL ASSETS	 <u>\$ 3,065,080</u>	 <u>\$ 3,193,691</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Mortgage Payable - Current Maturities	\$ 21,477	\$ 18,998
Accounts Payable	87,741	65,579
Accrued Expenses and Other Current Liabilities	64,767	96,961
Deferred Revenue	47,770	-
Total Current Liabilities	<u>221,755</u>	<u>181,538</u>
Long Term Liabilities		
Liabilities Associated with Split-Interest Agreements	93,890	100,747
Mortgage Payable, Less Current Maturities	410,487	432,344
Total Long Term Liabilities	<u>504,377</u>	<u>533,091</u>
Net Assets		
Without Donor Restrictions		
Undesignated	342,227	263,733
Designated by the Board for Endowment	76,500	79,673
Invested in Property and Equipment, Net of Related Debt	1,394,609	1,607,973
Total Without Donor Restrictions	<u>1,813,336</u>	<u>1,951,379</u>
With Donor Restrictions		
Perpetual in nature	3,180	3,180
Purpose restrictions	522,432	524,503
Total With Donor Restrictions	<u>525,612</u>	<u>527,683</u>
Total Net Assets	<u>2,338,948</u>	<u>2,479,062</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,065,080</u>	 <u>\$ 3,193,691</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, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Support and Revenue						
Public Support						
General Contributions	\$ 807,046	\$ -	\$ 807,046	\$ 401,835	\$ 148,423	\$ 550,258
International Program	600,445	-	600,445	614,253	-	614,253
Membership	18,455	-	18,455	11,398	-	11,398
	<u>1,425,946</u>	<u>-</u>	<u>1,425,946</u>	<u>1,027,486</u>	<u>148,423</u>	<u>1,175,909</u>
Gross Special Events Revenue	10,150	-	10,150	102,425	-	102,425
Less: Cost of Direct Benefits to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,414)</u>	<u>-</u>	<u>(25,414)</u>
	<u>10,150</u>	<u>-</u>	<u>10,150</u>	<u>77,011</u>	<u>-</u>	<u>77,011</u>
Total Public Support	1,436,096	-	1,436,096	1,104,497	148,423	1,252,920
Earned Revenue						
Pearl S. Buck House Tours	39,286	-	39,286	47,420	-	47,420
Rental	61,075	-	61,075	68,213	-	68,213
Other	14,190	-	14,190	25,047	-	25,047
Cultural Immersion	17,600	-	17,600	-	-	-
Cultural Tours	-	-	-	14,980	-	14,980
Consulting	<u>36,546</u>	<u>-</u>	<u>36,546</u>	<u>93,975</u>	<u>-</u>	<u>93,975</u>
Total Earned Revenue	168,697	-	168,697	249,635	-	249,635
Grants and Contracts						
Pearl S. Buck House	119,947	27,606	147,553	69,169	15,000	84,169
International Programs	70,138	-	70,138	3,000	-	3,000
Cultural Programs	<u>50,038</u>	<u>-</u>	<u>50,038</u>	<u>42,500</u>	<u>-</u>	<u>42,500</u>
Total Grants and Contracts	240,123	27,606	267,729	114,669	15,000	129,669
Interest Income and Miscellaneous	-	-	-	-	-	-
Net Assets Released from Restrictions	<u>31,271</u>	<u>(31,271)</u>	<u>-</u>	<u>181,306</u>	<u>(181,306)</u>	<u>-</u>
Total Support and Revenues	<u>1,876,187</u>	<u>(3,665)</u>	<u>1,872,522</u>	<u>1,650,107</u>	<u>(17,883)</u>	<u>1,632,224</u>
Expenses						
Program Services						
Cultural Programs	292,683	-	292,683	439,213	-	439,213
International Programs	760,520	-	760,520	775,194	-	775,194
Pearl S. Buck House	<u>707,588</u>	<u>-</u>	<u>707,588</u>	<u>897,726</u>	<u>-</u>	<u>897,726</u>
Total Program Services	1,760,791	-	1,760,791	2,112,133	-	2,112,133
Supporting Services						
Management and General	122,828	-	122,828	108,341	-	108,341
Fundraising	<u>130,432</u>	<u>-</u>	<u>130,432</u>	<u>176,908</u>	<u>-</u>	<u>176,908</u>
Total Supporting Services	253,260	-	253,260	285,249	-	285,249
Total Expenses	<u>2,014,051</u>	<u>-</u>	<u>2,014,051</u>	<u>2,397,382</u>	<u>-</u>	<u>2,397,382</u>
Change in Net Assets Before Other Revenue (Expense)	(137,864)	(3,665)	(141,529)	(747,275)	(17,883)	(765,158)
Other Revenues (Expenses)						
Net Investment Income	(179)	-	(179)	9,910	-	9,910
Increase in Value of Split-Interest Agreements	<u>-</u>	<u>1,594</u>	<u>1,594</u>	<u>-</u>	<u>2,930</u>	<u>2,930</u>
Total Other Revenues (Expenses)	(179)	1,594	1,415	9,910	2,930	12,840
Change in Net Assets	(138,043)	(2,071)	(140,114)	(737,365)	(14,953)	(752,318)
Net Assets, Beginning of Year	<u>1,951,379</u>	<u>527,683</u>	<u>2,479,062</u>	<u>2,688,744</u>	<u>542,636</u>	<u>3,231,380</u>
Net Assets, End of Year	<u>\$ 1,813,336</u>	<u>\$ 525,612</u>	<u>\$ 2,338,948</u>	<u>\$ 1,951,379</u>	<u>\$ 527,683</u>	<u>\$ 2,479,062</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, 2020

	Program Services			
	Cultural Program	International Program	Pearl S. Buck House	Total
Program/Outreach				
Health	\$ -	\$ 49,795	\$ -	\$ 49,795
Education	-	23,885	-	23,885
Psycho-Social	-	18,181	-	18,181
CB/ID	-	8,169	-	8,169
Program Services	-	338,715	-	338,715
Total Program/Outreach	-	438,745	-	438,745
Operating Expenses				
Salaries	154,116	200,180	291,506	645,802
Benefits	9,133	10,324	15,884	35,341
Payroll Taxes	11,653	15,026	23,510	50,189
Professional Fees	19,807	5,281	8,453	33,541
Accounting	-	-	-	-
Supplies	3,923	2,696	11,573	18,192
Telephone	4,320	3,381	5,098	12,799
Postage & Handling	522	3,427	759	4,708
Office/Equipment Rental	5,111	4,396	6,189	15,696
Insurance	14,557	10,341	20,823	45,721
Interest Expense	851	607	29,384	30,842
Utilities	6,565	5,182	20,593	32,340
Maintenance	24,976	18,173	35,767	78,916
Printing	328	284	845	1,457
Direct Mail Expenses	-	-	-	-
Travel	15,266	12,006	1,327	28,599
Advertising	-	100	4,035	4,135
Conference & Meetings	624	741	1,349	2,714
Training	3,600	50	235	3,885
Subscription, Dues & Fees	8,920	1,195	2,848	12,963
Equipment (Non Capital)	409	318	1,509	2,236
Depreciation	-	-	167,724	167,724
Depreciation	7,944	5,751	53,478	67,173
Miscellaneous	-	7,553	-	7,553
Bank Charges	58	15,091	4,699	19,848
Foreign Currency Exchange (Gain)/ Loss	-	(328)	-	(328)
Total Operating Expenses	292,683	321,775	707,588	1,322,046
Total Functional Expenses	\$ 292,683	\$ 760,520	\$ 707,588	\$ 1,760,791
Percentage of Total Expenditures	14.5%	37.8%	35.1%	87.4%

<u>Supporting Services</u>			
<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2020 Total</u>
\$ -	\$ -	\$ -	\$ 49,795
-	-	-	23,885
-	-	-	18,181
-	-	-	8,169
-	-	-	338,715
-	-	-	438,745
48,019	80,780	128,799	774,601
2,780	1,588	4,368	39,709
3,636	5,866	9,502	59,691
27,613	4,901	32,514	66,055
13,950	-	13,950	13,950
733	1,112	1,845	20,037
790	1,347	2,137	14,936
168	1,214	1,382	6,090
821	1,767	2,588	18,284
12,784	4,226	17,010	62,731
145	244	389	31,231
1,048	2,298	3,346	35,686
4,284	7,585	11,869	90,785
57	95	152	1,609
-	2,286	2,286	2,286
24	212	236	28,835
-	446	446	4,581
815	1,903	2,718	5,432
-	-	-	3,885
3,272	10,095	13,367	26,330
65	143	208	2,444
-	-	-	167,724
1,390	2,307	3,697	70,870
43	-	43	7,596
391	17	408	20,256
-	-	-	(328)
<u>122,828</u>	<u>130,432</u>	<u>253,260</u>	<u>1,575,306</u>
<u>\$ 122,828</u>	<u>\$ 130,432</u>	<u>\$ 253,260</u>	<u>\$ 2,014,051</u>
6.1%	6.5%	12.6%	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, 2019

	Program Services			
	Cultural Program	International Program	Pearl S. Buck House	Total
Program/Outreach				
Health	\$ -	\$ 44,777	\$ -	\$ 44,777
Education	-	23,733	-	23,733
Psycho-Social	-	20,142	-	20,142
CB/ID	-	8,537	-	8,537
Program Services	-	317,533	-	317,533
Total Program/Outreach	-	414,722	-	414,722
Operating Expenses				
Salaries	257,614	221,123	355,944	834,681
Benefits	15,790	17,365	26,784	59,939
Payroll Taxes	22,566	18,869	32,992	74,427
Professional Fees	30,972	8,071	36,730	75,773
Accounting	-	-	-	-
Supplies	9,838	4,390	27,500	41,728
Telephone	4,383	3,470	5,197	13,050
Postage & Handling	910	5,835	3,009	9,754
Office/Equipment Rental	6,022	5,090	7,307	18,419
Insurance	13,008	10,108	19,479	42,595
Interest Expense	-	-	22,395	22,395
Utilities	7,308	5,759	26,595	39,662
Maintenance	27,560	21,244	39,820	88,624
Printing	104	49	8,159	8,312
Direct Mail Expenses	-	-	-	-
Travel	13,892	13,190	2,139	29,221
Advertising	357	100	26,750	27,207
Conference & Meetings	1,049	2,414	10,740	14,203
Training	1,670	300	808	2,778
Subscription, Dues & Fees	14,604	2,028	5,552	22,184
Equipment (Non Capital)	216	168	1,179	1,563
Depreciation - Donor Restricted	-	-	166,098	166,098
Depreciation	10,310	8,887	58,031	77,228
Miscellaneous	-	-	7,958	7,958
Bank Charges	1,040	14,004	6,560	21,604
Foreign Currency Exchange (Gain)/ Loss	-	(1,992)	-	(1,992)
Total Operating Expenses	439,213	360,472	897,726	1,697,411
Total Functional Expenses	\$ 439,213	\$ 775,194	\$ 897,726	\$ 2,112,133
Percentage of Total Expenditures	18.3%	32.4%	37.4%	88.1%

Supporting Services

<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2019 Total</u>
\$ -	\$ -	\$ -	\$ 44,777
-	-	-	23,733
-	-	-	20,142
-	-	-	8,537
-	-	-	317,533
<u>-</u>	<u>-</u>	<u>-</u>	<u>414,722</u>
55,697	113,037	168,734	1,003,415
4,898	2,431	7,329	67,268
4,462	8,706	13,168	87,595
2,898	3,306	6,204	81,977
13,625	-	13,625	13,625
816	2,177	2,993	44,721
941	1,355	2,296	15,346
217	2,279	2,496	12,250
961	2,108	3,069	21,488
12,087	4,553	16,640	59,235
-	-	-	22,395
1,168	2,562	3,730	43,392
4,356	9,553	13,909	102,533
49	8	57	8,369
-	2,036	2,036	2,036
43	280	323	29,544
2,055	-	2,055	29,262
1,435	4,207	5,642	19,845
62	733	795	3,573
417	13,792	14,209	36,393
35	76	111	1,674
-	-	-	166,098
1,646	3,608	5,254	82,482
342	-	342	8,300
131	101	232	21,836
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,992)</u>
<u>108,341</u>	<u>176,908</u>	<u>285,249</u>	<u>1,982,660</u>
<u>\$ 108,341</u>	<u>\$ 176,908</u>	<u>\$ 285,249</u>	<u>\$ 2,397,382</u>
4.5%	7.4%	11.9%	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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (140,114)	\$ (752,318)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by (Used in) Operations		
Depreciation	238,594	248,580
Change in Split-Interest Agreement, net	(1,594)	(2,930)
Change in Beneficial Interests in Assets held by Others	3,174	(3,174)
Endowment net investment return	257	-
Net Realized and Unrealized Loss (Gain) on Investments	(124)	264
(Increase) Decrease in:		
Accounts Receivable	4,560	23,775
Unconditional Promises to Give, net	(261,957)	388,574
Prepaid Expenses	11,213	3,989
Increase (Decrease) in:		
Accounts Payable	22,162	(65,788)
Accrued Expenses	(32,194)	22,597
Deferred Revenues	47,770	-
Net Cash Provided by (Used in) Operating Activities	<u>(108,253)</u>	<u>(136,431)</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(5,853)	(88,459)
Purchase of Investments	<u>(742)</u>	<u>(837)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(6,595)</u>	<u>(89,296)</u>
Cash Flows from Financing Activities		
Repayment of Mortgage Payable	<u>(19,378)</u>	<u>(21,943)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(19,378)</u>	<u>(21,943)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(134,226)	(247,670)
Cash and Cash Equivalents, Beginning	<u>349,717</u>	<u>597,387</u>
Cash and Cash Equivalents, Ending	<u>\$ 215,491</u>	<u>\$ 349,717</u>
Cash and Cash Equivalents	\$ 211,940	\$ 256,404
Investments - Cash and Cash Equivalents	<u>3,551</u>	<u>93,311</u>
Total Cash and Cash Equivalents	<u>\$ 215,491</u>	<u>\$ 349,715</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 31,231</u>	<u>\$ 22,395</u>

The accompanying notes are an integral part of the financial statements

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

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 uncollectability has occurred. When all collection efforts have been exhausted, the accounts are written off. As of June 30, 2020 and 2019, 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, 2020 and 2019

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, 2020 or 2019.

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, 2020 and 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, 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, 2020 and 2019

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: PSBI has implemented FASB ASU No. 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting for contributions received and made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) or as an exchange (reciprocal) transactions subject to other guidance and (2) determining if a contribution is conditional. Analysis of various provisions of this standard resulted in no significant changes in the way the PSBI reported contributions; therefore, no changes to the previously issued audited financial statements were required on a retroactive basis. PSBI's financial statements reflect the application of this guidance for the year ended June 30, 2020.

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. Revenues are reported as increases in Net Assets Without Donor Restrictions unless the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in Net Assets Without Donor Restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in Net Assets Without Donor Restrictions unless their use is restricted by explicit donor stipulation or by law.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (continued)

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions. Support received under grants and contracts with state and local agencies is recorded as public support when the related costs are incurred and services performed. Grants and contracts receivable represent amounts due for expenditures incurred or services provided prior to year-end.

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, 2020 and 2019, respectively.

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, 2020 and 2019, there was a gain of \$328 and \$1,992, 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (continued)

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.

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.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Guidance: The Association is deferring implementation of Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606) until next fiscal year, as management believes the standard will improve the usefulness and understandability of the Organization's financial reporting. The presentation and disclosures of revenue will be enhanced in accordance with the standard. The Association receives revenue from a variety of revenue streams.

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.

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:

	<u>2020</u>	2019
Cash and cash equivalents	\$ 215,491	\$ 349,715
Accounts receivable	24,397	28,957
Operating investments	29,894	29,030
Investments - General Purpose	76,500	79,673
Promises to give	<u>442,036</u>	<u>242,802</u>
	<u>\$ 788,318</u>	<u>\$ 730,177</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.

The interest earned on our board designated endowment of \$76,500 and \$79,673 for the years ending June 30, 2020 and 2019, respectively is 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

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.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 3. Fair Value of Financial Instruments (Continued)

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, 2020 and 2019:

	<u>For the year ended June 30, 2020</u>			
<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments				
Short-term bond mutual fund	\$ 29,894	\$ -	\$ -	\$ 29,894
Assets held under split-interest agreements				
Equity mutual funds	-	130,250	-	130,250
Endowment investments				
Assets held by community foundation	-	-	76,484	76,484
Fixed income mutual funds	<u>5,914</u>	<u>-</u>	<u>-</u>	<u>5,914</u>
	<u>\$ 35,808</u>	<u>\$ 130,250</u>	<u>\$ 76,484</u>	<u>\$ 242,542</u>

	<u>For the year ended June 30, 2019</u>			
<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments				
Short-term bond mutual fund	\$ 29,030	\$ -	\$ -	\$ 29,030
Assets held under split-interest agreements				
Equity mutual funds	-	135,513	-	135,513
Endowment investments				
Assets held by community foundation	-	-	79,673	79,673
Fixed income mutual funds	<u>6,171</u>	<u>-</u>	<u>-</u>	<u>6,171</u>
	<u>\$ 35,201</u>	<u>\$ 135,513</u>	<u>\$ 79,673</u>	<u>\$ 250,387</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019:

<u>Year Ended June 30, 2020</u>	
Balance at June 30, 2019	\$ 79,673
Investment return, net	(54)
Distributions	<u>(3,120)</u>
Balance at June 30, 2020	<u>\$ 76,499</u>

<u>Year Ended June 30, 2019</u>	
Balance at June 30, 2018	\$ 76,500
Investment return, net	7,672
Distributions	<u>(4,499)</u>
Balance at June 30, 2019	<u>\$ 79,673</u>

Assets held by
Community Foundation

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, 2020 and 2019, the amount of uninsured cash balances was \$0 for both years. Concentrations of credit risk with respect to promises to give are limited due to 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 5. Unconditional Promises

PSBI has received various grants and pledges for the years ended June 30, 2020 and 2019. Grants and pledges receivable for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Living the Legacy	\$ 338,610	\$ 287,487
Conference Center Campaign	65,599	113,068
Cultural Programs	-	16,500
Bequests	327,235	59,185
Other	11,015	4,262
Total	<u>\$ 742,459</u>	<u>\$ 480,502</u>

Unconditional promises to give as of June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 442,036	\$ 242,802
In one to five years	<u>330,185</u>	<u>237,700</u>
	772,221	480,502
Less: Discount to net present value at 1%	<u>(29,762)</u>	<u>-</u>
	<u>\$ 742,459</u>	<u>\$ 480,502</u>

NOTE 6. Property and Equipment

Property and equipment comprise the following at June 30:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives (Years)</u>
Land and Improvements	\$ 168,410	\$ 168,410	
Construction in Progress	65,261	59,409	
Building and Improvements	5,453,390	5,453,390	10 - 25
Furniture, Fixture and Equipment	326,321	326,321	5 - 10
Computer Equipment	58,616	58,616	5
Vehicles	29,351	29,351	5
Total	6,101,349	6,095,497	
Less: Accumulated Depreciation	<u>(4,274,776)</u>	<u>(4,036,182)</u>	
Total Property and Equipment	<u>\$ 1,826,573</u>	<u>\$ 2,059,315</u>	

Depreciation expense for the years ended June 30, 2020 and 2019 was \$238,594 and \$248,580, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 7. 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, 2020 and 2019 was \$ 35,309 and \$48,111, respectively.

NOTE 8. Line of Credit and Mortgage Payable

PSBI has a \$300,000 secured line of credit with a commercial bank that bears interest at 3.25%. The agreement which is set to renew annually will expire 03/31/2021. There was no outstanding balance at June 30, 2020 or June 30, 2019. Substantially all of the assets of PSBI collateralize this line of credit and PSBI is required to maintain its primary banking relationship with the lender.

On February 1, 2014, PSBI converted its second line of credit to a 20-year mortgage loan, with an interest rate of 4.25%. In accordance with the loan agreement, an interest rate change occurred, increasing the interest rate to 6.5% on January 31, 2019. The new monthly payments are \$4,022. The interest rate was reset again on July 1, 2020 to 5.7%, with monthly principal and interest payments of \$3,841. The interest expense for the years ended June 30, 2020 and 2019 was \$31,231 and \$22,395, respectively.

Estimated future maturities on the mortgage payable as of June 30, 2020 were as follows:

<u>Years Ending June 30,</u>	
2021	\$ 21,477
2022	22,763
2023	24,126
2024	23,231
2025	27,681
Thereafter	<u>312,686</u>
Total	<u>\$ 431,964</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9. 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 10. 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, 2020 and 2019 amounted to \$ 10,202 and \$12,625, respectively.

NOTE 11. Related Party Transactions

PSBI maintains a line of credit and cash accounts with a commercial bank whose Chief Executive Officer was also a board member for fiscal year June 30, 2019 and first quarter of fiscal year June 30, 2020. There was no outstanding balance on the line of credit as of June 30, 2020 or 2019. The cash balances in these accounts were \$35,918 as of June 30, 2019.

NOTE 12. Operating Leases

PSBI has several operating leases for office equipment that expire at various dates through July 2023. Total expense for the years ended June 30, 2019 and 2019 was \$ 17,837 and \$21,077, respectively. The leases were extended with expiration dates in 2023. Future minimum lease payments are as follows:

Year Ended June 30,	
2021	\$ 18,000
2022	17,430
2023	<u>5,544</u>
	<u>\$ 40,974</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 13. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Education Program	\$ 21,422	\$ 21,422
Pearl S. Buck House	<u>417,716</u>	<u>421,381</u>
	<u>439,138</u>	<u>442,803</u>
Subject to the passage of time:		
Assets held under split-interest agreements	<u>83,294</u>	<u>81,700</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>\$ 525,612</u>	<u>\$ 527,683</u>

Net assets for the years ended June 30, 2020 and 2019 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>2020</u>	<u>2019</u>
Program Restrictions Accomplished:		
Marketing	\$ 683	\$ 14,400
Building	<u>30,588</u>	<u>166,906</u>
Total	<u>\$ 31,271</u>	<u>\$ 181,306</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 14. Special Events

Special events for the year ended June 30, 2020 were cancelled due to COVID-19. The Organization had special events for the years ended June 30:

For the year ended June 30, 2020

	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Total</u>
Revenue	\$ 10,150	\$ -	\$ 10,150
Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net	<u>\$ 10,150</u>	<u>\$ -</u>	<u>\$ 10,150</u>

For the year ended June 30, 2019

	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Total</u>
Revenue	\$ 50,749	\$ 51,676	\$ 102,425
Expenses	<u>(8,783)</u>	<u>(16,631)</u>	<u>(25,414)</u>
Net	<u>\$ 41,966</u>	<u>\$ 35,045</u>	<u>\$ 77,011</u>

NOTE 15. Endowment Funds

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

Interpretation of Relevant Law: The Board of Directors of the Organization have interpreted the law as requiring any donor-restricted contributions as being classified as 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

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 15. Endowment Funds (Continued)

As of June 30, 2020 and 2019, PSBI had the following endowment net asset composition by type of fund.

<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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>2019</u>			
Board- designated endowment funds	\$ 79,673	\$ -	\$ 79,673
Donor - restricted endowment funds	-	3,180	3,180
	<u>\$ 79,673</u>	<u>\$ 3,180</u>	<u>\$ 82,853</u>

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

Composition of and changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 79,673	\$ 3,180	\$ 82,853
Contributions	-	-	-
Investment Income	2,137	-	2,137
Net Appreciation (Depreciation)	(3,707)	-	(3,707)
Amounts Appropriated for Expenditures	<u>(1,603)</u>	<u>-</u>	<u>(1,603)</u>
Endowment Net Assets, End of Year	<u>\$ 76,500</u>	<u>\$ 3,180</u>	<u>\$ 79,680</u>
 <u>2019</u>			
Endowment net assets, beginning of the year	\$ 76,500	\$ 3,180	\$ 79,680
Contributions	-	-	-
Investment Income	1,706	-	1,706
Net Appreciation (Depreciation)	2,994	-	2,994
Amounts Appropriated for Expenditures	<u>(1,527)</u>	<u>-</u>	<u>(1,527)</u>
Endowment Net Assets, End of Year	<u>\$ 79,673</u>	<u>\$ 3,180</u>	<u>\$ 82,853</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 15. 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.

NOTE 16. Concentrations of Credit Risks and Uncertainties

PSBI's operations involve a number of risks and uncertainties. Factors that could affect the Association's future operating results and cause actual results to vary materially from expectations include, but are not limited to general economic factors, lack of government spending, and dependence on key personnel. During the fiscal year a global pandemic due to the spread of the COVID-19 virus caused the United States government to declare a national emergency. As a result, PSBI suspended all of its programs, on March 16, 2020. The full economic impact resulting from the uncertainty of the COVID-19 pandemic that could continue to affect the Association's operations and finances, is unknown at this time.

On May 1, 2020, PSBI received proceeds of \$172,614, under the Payroll Protection Program (PPP). The PPP was established as a part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the Cares Act, there is a potentiality for a portion of this loan to be forgiven if certain conditions are met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with deferral payments for the first six months. PSBI has expended the entire proceeds on payroll and payroll related expenses for the year ended June 30, 2020. PSBI has determined that it has met the criteria for forgiveness and has recorded the proceeds as income.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 16. Concentrations of Credit Risks and Uncertainties (Continued)

On April 1, 2020, PSBI received \$10,000 under the Economic Injury Disaster Loan (EIDL) Program from the Small Business Administration (SBA). Based on interpretations of regulations available at the time the financial statements were available for release, the EIDL loan advance will be deducted from the amount of loan forgiveness available under the PPP loan program. Accordingly, \$10,000 is included in deferred revenues on the Statement of Financial Position at June 30, 2020.