

PEARL S. BUCK INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

(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, 2021 and 2020, 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Pearl S. Buck International as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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

Warrington, PA
November 1, 2021

PEARL S. BUCK INTERNATIONAL

Statements of Financial Position

June 30, 2021 and 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 100,778	\$ 211,940
Investments - Cash and Cash Equivalents	3,568	3,551
Investments - Operating	30,282	29,894
Accounts Receivable	1,335	24,397
Current Unconditional Promises to Give	304,943	442,036
Prepaid Expenses	<u>3,571</u>	<u>13,602</u>
Total Current Assets	<u>444,477</u>	<u>725,420</u>
Collections (Note 1)	-	-
Property and Equipment, Net	<u>2,322,868</u>	<u>1,826,573</u>
Other Assets		
Long-Term Unconditional Promises to Give, net	202,500	300,423
Investments - General Purpose	-	76,500
Investments - Endowment	6,757	5,914
Split-Interest Agreements	<u>161,389</u>	<u>130,250</u>
Total Other Assets	<u>370,646</u>	<u>513,087</u>
TOTAL ASSETS	<u>\$ 3,137,991</u>	<u>\$ 3,065,080</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Line of Credit	\$ 85,000	\$ -
Mortgage Payable - Current Maturities	18,051	21,477
Accounts Payable	80,950	87,741
Accrued Expenses and Other Current Liabilities	<u>88,340</u>	<u>112,537</u>
Total Current Liabilities	<u>272,341</u>	<u>221,755</u>
Long Term Liabilities		
Liabilities Associated with Split-Interest Agreements	112,508	93,890
Mortgage Payable, Less Current Maturities	<u>659,007</u>	<u>410,487</u>
Total Long Term Liabilities	<u>771,515</u>	<u>504,377</u>
Net Assets		
Without Donor Restrictions		
Undesignated	288,680	311,435
Designated by the Board for Endowment	-	76,500
Invested in Property and Equipment, Net of Related Debt	<u>1,645,810</u>	<u>1,394,609</u>
Total Without Donor Restrictions	1,934,490	1,782,544
With Donor Restrictions		
Perpetual in nature	3,180	3,180
Purpose restrictions	<u>156,465</u>	<u>553,224</u>
Total With Donor Restrictions	<u>159,645</u>	<u>556,404</u>
Total Net Assets	<u>2,094,135</u>	<u>2,338,948</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,137,991</u>	<u>\$ 3,065,080</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, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 Total
Support and Revenue						
Public Support						
General Contributions	\$ 467,455	\$ -	\$ 467,455	\$ 807,046	\$ -	\$ 807,046
International Program	615,487	39,224	654,711	569,653	30,792	600,445
Membership	5,960	-	5,960	18,455	-	18,455
	<u>1,088,902</u>	<u>39,224</u>	<u>1,128,126</u>	<u>1,395,154</u>	<u>30,792</u>	<u>1,425,946</u>
Gross Special Events Revenue	99,657	-	99,657	10,150	-	10,150
Less: Cost of Direct Benefits to Donors	<u>(38,716)</u>	<u>-</u>	<u>(38,716)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>60,941</u>	<u>-</u>	<u>60,941</u>	<u>10,150</u>	<u>-</u>	<u>10,150</u>
Total Public Support	1,149,843	39,224	1,189,067	1,405,304	30,792	1,436,096
Earned Revenue						
Pearl S. Buck House Tours	8,182	-	8,182	39,286	-	39,286
Rental	97,071	-	97,071	61,075	-	61,075
Other	25,198	-	25,198	14,190	-	14,190
Cultural Immersion	-	-	-	17,600	-	17,600
Cultural Tours	210	-	210	-	-	-
Consulting	9,437	-	9,437	36,546	-	36,546
Total Earned Revenue	<u>140,098</u>	<u>-</u>	<u>140,098</u>	<u>168,697</u>	<u>-</u>	<u>168,697</u>
Grants and Contracts						
Pearl S. Buck House	152,000	-	152,000	119,947	27,606	147,553
International Programs	54,250	-	54,250	70,138	-	70,138
Cultural Programs	50,750	-	50,750	50,038	-	50,038
Total Grants and Contracts	<u>257,000</u>	<u>-</u>	<u>257,000</u>	<u>240,123</u>	<u>27,606</u>	<u>267,729</u>
Interest Income and Miscellaneous	-	-	-	-	-	-
Net Assets Released from Restrictions	<u>448,504</u>	<u>(448,504)</u>	<u>-</u>	<u>31,271</u>	<u>(31,271)</u>	<u>-</u>
Total Support and Revenues	<u>1,995,445</u>	<u>(409,280)</u>	<u>1,586,165</u>	<u>1,845,395</u>	<u>27,127</u>	<u>1,872,522</u>
Expenses						
Program Services						
Cultural Programs	162,445	-	162,445	292,683	-	292,683
International Programs	764,020	-	764,020	760,520	-	760,520
Pearl S. Buck House	714,284	-	714,284	707,588	-	707,588
Total Program Services	<u>1,640,749</u>	<u>-</u>	<u>1,640,749</u>	<u>1,760,791</u>	<u>-</u>	<u>1,760,791</u>
Supporting Services						
Management and General	107,012	-	107,012	122,828	-	122,828
Fundraising	109,754	-	109,754	130,432	-	130,432
Total Supporting Services	<u>216,766</u>	<u>-</u>	<u>216,766</u>	<u>253,260</u>	<u>-</u>	<u>253,260</u>
Total Expenses	<u>1,857,515</u>	<u>-</u>	<u>1,857,515</u>	<u>2,014,051</u>	<u>-</u>	<u>2,014,051</u>
Change in Net Assets Before Other Revenue (Expense)	137,930	(409,280)	(271,350)	(168,656)	27,127	(141,529)
Other Revenues (Expenses)						
Net Investment Income	14,016	-	14,016	(179)	-	(179)
Increase in Value of Split-Interest Agreements	-	12,521	12,521	-	1,594	1,594
Total Other Revenues (Expenses)	<u>14,016</u>	<u>12,521</u>	<u>26,537</u>	<u>(179)</u>	<u>1,594</u>	<u>1,415</u>
Change in Net Assets	151,946	(396,759)	(244,813)	(168,835)	28,721	(140,114)
Net Assets, Beginning of Year	<u>1,782,544</u>	<u>556,404</u>	<u>2,338,948</u>	<u>1,951,379</u>	<u>527,683</u>	<u>2,479,062</u>
Net Assets, End of Year	<u>\$ 1,934,490</u>	<u>\$ 159,645</u>	<u>\$ 2,094,135</u>	<u>\$ 1,782,544</u>	<u>\$ 556,404</u>	<u>\$ 2,338,948</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, 2021

	<u>Program Services</u>			
	<u>Cultural Program</u>	<u>International Program</u>	<u>Pearl S. Buck House</u>	<u>Total</u>
Program/Outreach				
Health	\$ -	\$ 54,779	\$ -	\$ 54,779
Education	-	30,854	-	30,854
Psycho-Social	-	16,739	-	16,739
CB/ID	-	6,848	-	6,848
Program Services	-	355,215	-	355,215
Total Program/Outreach	-	464,435	-	464,435
Operating Expenses				
Salaries	91,467	176,460	276,341	544,268
Benefits	6,199	13,238	24,981	44,418
Payroll Taxes	7,281	13,134	19,617	40,032
Professional Fees	28,008	6,324	8,325	42,657
Accounting	-	-	-	-
Supplies	1,757	3,565	10,786	16,108
Telephone	1,345	3,297	4,710	9,352
Postage & Handling	283	4,044	804	5,131
Office/Equipment Rental	1,140	4,126	5,425	10,691
Insurance	5,519	15,151	26,408	47,078
Interest Expense	782	1,685	28,833	31,300
Utilities	2,862	6,478	19,551	28,891
Maintenance	12,153	28,128	49,186	89,467
Printing	-	28	260	288
Direct Mail Expenses	4	7	11	22
Travel	267	594	-	861
Advertising	-	-	1,097	1,097
Conference & Meetings	316	660	641	1,617
Training	160	162	243	565
Subscription, Dues & Fees	615	1,419	4,861	6,895
Equipment (Non Capital)	274	566	848	1,688
Depreciation	-	-	168,168	168,168
Depreciation	1,870	4,406	50,539	56,815
Miscellaneous	-	-	7,707	7,707
Bank Charges	143	15,326	4,942	20,411
Foreign Currency Exchange (Gain)/ Loss	-	787	-	787
Total Operating Expenses	162,445	299,585	714,284	1,176,314
Total Functional Expenses	<u>\$ 162,445</u>	<u>\$ 764,020</u>	<u>\$ 714,284</u>	<u>\$ 1,640,749</u>

<u>Supporting Services</u>			
<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2021 Total</u>
\$ -	\$ -	\$ -	\$ 54,779
-	-	-	30,854
-	-	-	16,739
-	-	-	6,848
-	-	-	355,215
-	-	-	464,435
55,197	61,928	117,125	661,393
5,042	1,001	6,043	50,461
4,409	5,591	10,000	50,032
1,216	8,763	9,979	52,636
14,230	-	14,230	14,230
439	974	1,413	17,521
689	821	1,510	10,862
113	1,465	1,578	6,709
778	968	1,746	12,437
13,956	4,693	18,649	65,727
33	407	440	31,740
1,440	1,619	3,059	31,950
6,193	7,374	13,567	103,034
-	-	-	288
2	1,909	1,911	1,933
-	-	-	861
-	397	397	1,494
477	3,067	3,544	5,161
38	37	75	640
314	7,405	7,719	14,614
134	129	263	1,951
491	-	491	168,659
962	1,183	2,145	58,960
28	-	28	7,735
831	23	854	21,265
-	-	-	787
<u>107,012</u>	<u>109,754</u>	<u>216,766</u>	<u>1,393,080</u>
<u>\$ 107,012</u>	<u>\$ 109,754</u>	<u>\$ 216,766</u>	<u>\$ 1,857,515</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

	<u>Program Services</u>			
	<u>Cultural Program</u>	<u>International Program</u>	<u>Pearl S. Buck House</u>	<u>Total</u>
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	<u>-</u>	<u>438,745</u>	<u>-</u>	<u>438,745</u>
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	<u>292,683</u>	<u>321,775</u>	<u>707,588</u>	<u>1,322,046</u>
Total Functional Expenses	<u>\$ 292,683</u>	<u>\$ 760,520</u>	<u>\$ 707,588</u>	<u>\$ 1,760,791</u>

Supporting Services

<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2020 Total</u>
\$ -	\$ -	\$ -	\$ 49,795
-	-	-	23,885
-	-	-	18,181
-	-	-	8,169
-	-	-	<u>338,715</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>438,745</u>
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
-	-	-	<u>(328)</u>
<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>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (244,813)	\$ (140,114)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operations		
Depreciation	227,619	238,594
Change in Split-Interest Agreement, net	(12,521)	(1,594)
Change in Beneficial Interests in Assets held by Others	11,919	3,174
Endowment net investment return	(843)	257
Net Realized and Unrealized Loss (Gain) on Investments	(10,635)	(124)
(Increase) Decrease in:		
Accounts Receivable	23,062	4,560
Unconditional Promises to Give, net	235,016	(261,957)
Prepaid Expenses	10,031	11,213
Increase (Decrease) in:		
Accounts Payable	(6,791)	22,162
Accrued Expenses	(24,197)	15,576
Net Cash Provided by (Used in) Operating Activities	<u>207,847</u>	<u>(108,253)</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(723,740)	(5,853)
Purchase of Investments	(1,846)	(742)
Proceeds from Sale of Investments	76,500	-
Net Cash Provided by (Used in) Investing Activities	<u>(649,086)</u>	<u>(6,595)</u>
Cash Flows from Financing Activities		
Drawdown on Line of Credit	85,000	-
New Mortgage	680,000	-
Repayment of Mortgage Payable	(434,906)	(19,378)
Net Cash Provided By (Used In) Financing Activities	<u>330,094</u>	<u>(19,378)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(111,145)	(134,226)
Cash and Cash Equivalents, Beginning	<u>215,491</u>	<u>349,717</u>
Cash and Cash Equivalents, Ending	<u>\$ 104,346</u>	<u>\$ 215,491</u>
Cash and Cash Equivalents	\$ 100,778	\$ 211,940
Investments - Cash and Cash Equivalents	<u>3,568</u>	<u>3,551</u>
Total Cash and Cash Equivalents	<u>\$ 104,346</u>	<u>\$ 215,491</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, 2021 and 2020

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 PSBI 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. PSBI 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, 2021 and 2020, 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.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2021 or 2020.

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: Collection items include art, photography and/or artifacts that relate to the legacy of Pearl S. Buck. PSBI ensures that the Collections are maintained, displayed and preserved in accordance with professional museum standards. Collection items acquired either through purchase or donation are not capitalized. The proceeds from deaccession of collection items in no event shall be used for operating expenses or for any purpose other than acquisition or the direct care of collections. PSBI adheres to the ethical principles and definition of direct care established by the American Alliance of Museums and considers direct care to entail actions that enhance the life, usefulness, or quality of the collection items to ensure they will continue to benefit the public. PSBI's collection management policy includes conservation services, archival services, collections care investments identified through a conservation assessment and/or plan, and collection care training for staff and volunteers, as activities that are considered direct care of collection items.

Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, 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. This fund was closed during fiscal year ending June 30, 2021.

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.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 1. Summary of Significant Accounting Policies (Continued)

Net Asset (continued)

- 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 Accounting Standards Update (ASU) No. 2014-09-Revenue from Contracts with Customers (Topic 606) as management believes the standard improve the usefulness and understandability of the PSBI's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way PSBI reported contributions; therefore, no changes to the previously issued audited financial statements were required on a retroactive basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. PSBI's financial statements reflect the application of this guidance for the year ended June 30, 2021.

Revenue is recognized when earned 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.

PSBI receives revenue from a variety of revenue streams. The policy for material revenue streams is discussed below:

- PSBI recognizes contributions when cash, securities or other assets and unconditional promises to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.
- Special event revenues are recorded equal to the direct benefit to donors and contribution income for the excess received when the event takes place.
- Program service fees received in advance is deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020

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, 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, PSBI is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Exempt Organization Business Income Tax Return (Form 990-T) will be filed with the IRS for any unrelated business income tax. PSBI's informational tax returns are subject to review and examination by federal, state and local authorities. PSBI 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.

Subsequent Events: PSBI 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, 2021 and 2020

NOTE 1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement: ASU No. 2018-13 (Topic 820), Fair Value Measurement: The guidance is intended to improve the effectiveness of disclosures in the notes to the financial statements. The objective of these disclosure requirements is to provide financial statement users with information about assets and liabilities measured at fair value in the statement of financial position or disclosed in the notes to the financial statements. PSBI's financial statements reflect the application of this guidance for the year ending June 30, 2021. The implementation had no effect on net assets and the adoption did not impact previously issued financial statements.

ASU 2019-03, Not-for-Profit Entities (Topic 958) Updating the Definition of Collections: This standard is intended to provide readers with clearer information about collections and what is direct care of those collections. PSBI's financial statements reflect the application of this guidance for the year ending June 30, 2021. The implementation had no effect on net assets and the adoption did not impact previously issued financial statements. Footnote disclosure has been expanded.

ASU No. 2020-07 (Topic 958), Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets: This standard changes the presentation and disclosure requirements of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The standard requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities and additional disclosures will be presented, including disaggregation of amounts, qualitative information, and valuation techniques and inputs be disclosed that were used to arrive at the fair value of the contributed nonfinancial assets. This standard will be implemented in the fiscal year ending June 30, 2022. PSBI is currently evaluating this new standard and the impact it will have on its financial statements.

ASU No. 2016-02 (Topic 842), Leases: This standard substantially changes current principles of lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. The standard establishes a right-of-use model that requires lessees to record an asset and lease liability in the statement of financial position for all lease with terms longer than 12 months. Leases will be classified as either finance leases or operating leases depending on the characteristic of the lease; consistent with current Generally Accepted Accounting Principles, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This standard will be implemented in the fiscal year ending June 30, 2022. PSBI is currently evaluating this new standard and the impact it will have on its financial statements.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

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>2021</u>	2020
Cash and cash equivalents	\$ 104,346	\$ 215,491
Accounts receivable	1,335	24,397
Operating investments	30,282	29,894
Investments - General Purpose	-	76,500
Promises to give	<u>304,943</u>	<u>442,036</u>
	<u>\$ 440,906</u>	<u>\$ 788,318</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 \$0 and \$75,500 for the years ending June 30, 2021 and 2020, 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.

NOTE 3. Fair Value of Financial Instruments

PSBI 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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 3. Fair Value of Financial Instruments (Continued)

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 PSBI has the ability to access.

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

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

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

The following table represents PSBI's fair value hierarchy for those investments, excluding money market funds, measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	<u>For the year ended June 30, 2021</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	\$ 30,282	\$ -	\$ -	\$ 30,282
Assets held under split-interest agreements				
Equity mutual funds	-	161,389	-	161,389
Endowment investments				
Assets held by community foundation	-	-	-	-
Fixed income mutual funds	6,757	-	-	6,757
	<u>\$ 37,039</u>	<u>\$ 161,389</u>	<u>\$ -</u>	<u>\$ 198,428</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 3. Fair Value of Financial Instruments (Continued)

For the year ended June 30, 2020

<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>

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, 2021 and 2020:

Fair Value Measurements at Report Date Using
Significant Unobservable Inputs (Level 3)
Beneficial Interests

Year Ended June 30, 2021

Balance at June 30, 2020	\$ 76,500
Investment return, net	11,919
Distributions	<u>(88,419)</u>
Balance at June 30, 2021	<u>\$ -</u>

Assets held by
Community Foundation

Year Ended June 30, 2020

Balance at June 30, 2019	\$ 79,673
Investment return, net	(53)
Distributions	<u>(3,120)</u>
Balance at June 30, 2020	<u>\$ 76,500</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

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. 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. The balances in banks are insured by Federal Deposit Insurance Corporation up to FDIC \$250,000 for cash and cash equivalents, and Securities' Investor Protection Corporation SIPC \$500,000 for investment insurance amount. Balances at times may exceed these insurance limits.

A concentrations of credit risk exists with respect to promises to give, two bequests equal 39% of promises to give.

NOTE 5. Unconditional Promises

PSBI has received various grants and pledges for the years ended June 30, 2021 and 2020. Grants and pledges receivable for the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Living the Legacy	\$ 223,737	\$ 338,610
Conference Center Campaign	27,557	65,599
Bequests	256,149	327,235
Other	-	11,015
Total	<u>\$ 507,443</u>	<u>\$ 742,459</u>

Unconditional promises to give as of June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 304,943	\$ 442,036
In one to five years	<u>226,155</u>	<u>330,185</u>
	531,098	772,221
Less: Discount to net present value at 1%	<u>(23,655)</u>	<u>(29,762)</u>
	<u>\$ 507,433</u>	<u>\$ 742,459</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 6. Property and Equipment

Property and equipment comprise the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and Improvements	\$ 168,410	\$ 168,410
Construction in Progress	-	65,261
Building and Improvements	6,242,391	5,453,390
Furniture, Fixture and Equipment	326,321	326,321
Computer Equipment	58,616	58,616
Vehicles	29,351	29,351
Total	6,825,089	6,101,349
Less: Accumulated Depreciation	<u>(4,502,221)</u>	<u>(4,274,776)</u>
Total Property and Equipment	<u>\$ 2,322,868</u>	<u>\$ 1,826,573</u>

The completion of the Janet L. Mintzer Conference and Event Center increased the Building and Improvements.

Depreciation expense for the years ended June 30, 2021 and 2020 was \$227,619 and \$238,594, respectively.

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, 2021 and 2020 was \$33,622 and \$35,309, respectively.

NOTE 8. 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, 2021 and 2020 amounted to \$12,950 and \$10,202 respectively.

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.

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 10. Line of Credit and Mortgage Payable

PSBI has a \$500,000 secured line of credit with a commercial bank that bears interest at 3.25%. There was no outstanding balance at June 30, 2021 or June 30, 2020. 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.

PSBI has a 20-year mortgage loan, with interest rates on payments ranging from 3.2% to 3.25%. The monthly payments are \$3,313. The interest expense for the years ended June 30, 2021 and 2020 was \$31,739 and \$31,231, respectively.

Estimated future maturities on the mortgage payable as of June 30, 2021 were as follows:

<u>Years Ending June 30,</u>	
2022	\$ 18,051
2023	18,645
2024	19,203
2025	19,891
2026	20,546
Thereafter	<u>580,722</u>
Total	<u>\$ 677,058</u>

NOTE 11. 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, 2021 and 2020 was \$11,955 and \$17,837, respectively. The leases were extended with expiration dates in 2023. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 17,058
2023	16,260
2024	16,260
2025	16,260
2026	<u>16,260</u>
	<u>\$ 82,098</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 12. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Education Program	\$ 21,422	\$ 21,422
Pearl S. Buck House	-	417,716
Sponsorships	<u>39,224</u>	<u>30,792</u>
	<u>60,646</u>	<u>469,930</u>
Subject to the passage of time:		
Assets held under split-interest agreements	<u>95,819</u>	<u>83,294</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>\$ 159,645</u>	<u>\$ 556,404</u>

Net assets for the years ended June 30, 2021 and 2020 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>2021</u>	<u>2020</u>
Program Restrictions Accomplished:		
Marketing	\$ 794	\$ 683
Building	416,918	30,588
Sponsorships	<u>30,792</u>	<u>-</u>
Total	<u>\$ 448,504</u>	<u>\$ 31,271</u>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 13. Special Events

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

For the year ended June 30, 2021

	<u>Mintzer Center Opening</u>	<u>Taste of the World</u>	<u>Woman of the Year</u>	<u>Total</u>
Revenue	\$ 37,448	\$ -	\$ 62,209	\$ 99,657
Expenses	<u>(16,847)</u>	<u>-</u>	<u>(21,869)</u>	<u>(38,716)</u>
Net	<u>\$ 20,601</u>	<u>\$ -</u>	<u>\$ 40,340</u>	<u>\$ 60,941</u>

For the year ended June 30, 2020

	<u>Mintzer Center Opening</u>	<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>	<u>-</u>
Net	<u>\$ -</u>	<u>\$ 10,150</u>	<u>\$ -</u>	<u>\$ 10,150</u>

NOTE 14. Endowment Funds

PSBI'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 PSBI 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. PSBI 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, 2021 and 2020

NOTE 14. Endowment Funds (Continued)

As of June 30, 2021 and 2020, PSBI had the following endowment net asset composition by type of fund.

<u>2021</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board - designated endowment funds	\$ -	\$ -	\$ -
Donor - restricted endowment funds	-	3,180	3,180
	<u>\$ -</u>	<u>\$ 3,180</u>	<u>\$ 3,180</u>
 <u>2020</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>

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, 2021 and 2020 were as follows:

<u>2021</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 76,500	\$ 3,180	\$ 79,680
Contributions	-	-	-
Investment Income	1,559	-	1,559
Net Appreciation (Depreciation)	10,360	-	10,360
Amounts Appropriated for Expenditures	<u>(88,419)</u>	<u>-</u>	<u>(88,419)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 3,180</u>	<u>\$ 3,180</u>
 <u>2020</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>

PEARL S. BUCK INTERNATIONAL

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 14. Endowment Funds (Continued)

Return Objectives and Risk Parameters: PSBI 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. PSBI expects its endowment funds, over time, to provide an acceptable long-term return at a level of risk which PSBI 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, PSBI 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). PSBI 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 15. 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 2020, a global pandemic due to the spread of the COVID-19 virus caused the United States government to declare a national emergency. 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.

During the year ended June 30, 2021 and 2020, PSBI received proceeds of \$152,500 and \$172,614, respectively 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. 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, 2021 and 2020

NOTE 15. 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 was included in deferred revenues on the Statement of Financial Position at June 30, 2020. For the year ended June 30, 2021, this amount has been recognized as revenue.