

**PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Auditor's Report**

June 30, 2018

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ProJeCt of Easton, Inc.
Easton, PA

We have audited the accompanying financial statements of ProJeCt of Easton, Inc. (A Not-for-Profit Corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 ProJeCt of Easton, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Campbell, Rappold & Yusaite LLP

December 17, 2018

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

| | June 30, 2018 | | | | June 30, 2017 | | | |
|---|---------------------|---------------------------|---------------------------|---------------------|-------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| - ASSETS - | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash and Cash Equivalents | \$ 668,455 | \$ 93,791 | \$ - | \$ 762,246 | \$ 424,800 | \$ 88,562 | \$ - | \$ 513,362 |
| Accounts Receivable | 68,785 | - | - | 68,785 | 56,638 | - | - | 56,638 |
| Contributions Receivable (Note 3) | 4,602 | 32,500 | - | 37,102 | 5,524 | 38,000 | - | 43,524 |
| Prepaid Expenses | 13,607 | - | - | 13,607 | 14,900 | - | - | 14,900 |
| Total Current Assets | 755,449 | 126,291 | - | 881,740 | 501,862 | 126,562 | - | 628,424 |
| Long-Term Investments (Note 2) | 369,689 | 262,478 | 1,366,742 | 1,998,909 | 308,038 | 202,200 | 1,366,742 | 1,876,980 |
| Property and Equipment, (Note 4) | 18,280 | 1,056,972 | - | 1,075,252 | 29,925 | 1,086,015 | - | 1,115,940 |
| TOTAL ASSETS | \$ 1,143,418 | \$ 1,445,741 | \$ 1,366,742 | \$ 3,955,901 | \$ 839,825 | \$ 1,414,777 | \$ 1,366,742 | \$ 3,621,344 |
| - LIABILITIES AND NET ASSETS - | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Line of Credit (Note 5) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable and Accrued Expenses | 36,170 | - | - | 36,170 | 41,075 | - | - | 41,075 |
| Payroll and Related Accruals | 66,816 | - | - | 66,816 | 56,200 | - | - | 56,200 |
| Total Current Liabilities | 102,986 | - | - | 102,986 | 97,275 | - | - | 97,275 |
| Total Liabilities | 102,986 | - | - | 102,986 | 97,275 | - | - | 97,275 |
| - NET ASSETS - | | | | | | | | |
| Undesignated | 683,274 | - | - | 683,274 | 404,587 | - | - | 404,587 |
| Board Designated-Operating Reserve | 338,878 | - | - | 338,878 | 308,038 | - | - | 308,038 |
| Invested in Property and Equipment | 18,280 | 1,056,972 | - | 1,075,252 | 29,925 | 1,086,015 | - | 1,115,940 |
| Temporarily Restricted (Note 7) | - | 388,769 | - | 388,769 | - | 328,762 | - | 328,762 |
| Permanently Restricted (Note 7) | - | - | 1,366,742 | 1,366,742 | - | - | 1,366,742 | 1,366,742 |
| Total Net Assets | 1,040,432 | 1,445,741 | 1,366,742 | 3,852,915 | 742,550 | 1,414,777 | 1,366,742 | 3,524,069 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,143,418 | \$ 1,445,741 | \$ 1,366,742 | \$ 3,955,901 | \$ 839,825 | \$ 1,414,777 | \$ 1,366,742 | \$ 3,621,344 |

See independent auditor's report and notes to financial statements.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

| | <u>Year Ended June 30, 2018</u> | | | | <u>Year Ended June 30, 2017</u> | | | |
|--|---------------------------------|-----------------------------------|-----------------------------------|---------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| <i>Revenues, Gains and Support:</i> | | | | | | | | |
| Contributions | \$ 685,858 | \$ 244,664 | \$ - | \$ 930,522 | \$ 458,532 | \$ 258,500 | \$ - | \$ 717,032 |
| Special Events (Net of direct costs totaling \$28,400 and \$25,854) | 33,427 | 500 | - | 33,927 | 45,188 | 750 | - | 45,938 |
| Contract Revenue | 575,155 | - | - | 575,155 | 585,576 | 9,567 | - | 595,143 |
| In-Kind Contributions | 244,482 | - | - | 244,482 | 283,092 | - | - | 283,092 |
| Investment Return | 1,762 | 90,998 | - | 92,760 | 4,898 | 138,867 | - | 143,765 |
| Other Income | 2,756 | - | - | 2,756 | 2,728 | - | - | 2,728 |
| | <u>1,543,440</u> | <u>336,162</u> | <u>-</u> | <u>1,879,602</u> | <u>1,380,014</u> | <u>407,684</u> | <u>-</u> | <u>1,787,698</u> |
| Net Assets Released from Restrictions | <u>305,198</u> | <u>(305,198)</u> | <u>-</u> | <u>-</u> | <u>304,076</u> | <u>(304,076)</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | <u>1,848,638</u> | <u>30,964</u> | <u>-</u> | <u>1,879,602</u> | <u>1,684,090</u> | <u>103,608</u> | <u>-</u> | <u>1,787,698</u> |
| <i>Expenses:</i> | | | | | | | | |
| Program Services | 1,340,051 | - | - | 1,340,051 | 1,370,250 | - | - | 1,370,250 |
| Supporting Services: | | | | | | | | |
| Management and General | 111,046 | - | - | 111,046 | 106,081 | - | - | 106,081 |
| Fundraising | 99,659 | - | - | 99,659 | 87,219 | - | - | 87,219 |
| Total Supporting Services | <u>210,705</u> | <u>-</u> | <u>-</u> | <u>210,705</u> | <u>193,300</u> | <u>-</u> | <u>-</u> | <u>193,300</u> |
| TOTAL EXPENSES | <u>1,550,756</u> | <u>-</u> | <u>-</u> | <u>1,550,756</u> | <u>1,563,550</u> | <u>-</u> | <u>-</u> | <u>1,563,550</u> |
| Change in Net Assets | <u>297,882</u> | <u>30,964</u> | <u>-</u> | <u>328,846</u> | <u>120,540</u> | <u>103,608</u> | <u>-</u> | <u>224,148</u> |
| Net Assets, Beginning of Year | <u>742,550</u> | <u>1,414,777</u> | <u>1,366,742</u> | <u>3,524,069</u> | <u>622,010</u> | <u>1,311,169</u> | <u>1,366,742</u> | <u>3,299,921</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,040,432</u> | <u>\$ 1,445,741</u> | <u>\$ 1,366,742</u> | <u>\$ 3,852,915</u> | <u>\$ 742,550</u> | <u>\$ 1,414,777</u> | <u>\$ 1,366,742</u> | <u>\$ 3,524,069</u> |

See independent auditor's report and notes to financial statements.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018 and 2017

| | <u>Year Ended June 30, 2018</u> | | | | <u>Year Ended June 30, 2017</u> | | | |
|-----------------------------------|---------------------------------|-------------------------------|-------------------------|----------------------------|---------------------------------|-------------------------------|-------------------------|----------------------------|
| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>Total</u> | <u>Program Services</u> | <u>Supporting Services</u> | | <u>Total</u> |
| | | <u>Management and General</u> | <u>Fundraising</u> | | | <u>Management and General</u> | <u>Fundraising</u> | |
| Personnel Related Expenses | \$ 780,401 | \$ 71,980 | \$ 71,617 | \$ 923,998 | \$ 797,635 | \$ 66,230 | \$ 56,658 | \$ 920,523 |
| Professional Fee Related Expenses | 70,827 | 17,920 | 13,246 | 101,993 | 63,394 | 18,928 | 18,038 | 100,360 |
| Operating Expenses | 51,778 | 13,531 | 14,475 | 79,784 | 53,458 | 14,411 | 12,447 | 80,316 |
| Program Related Expenses | 81,460 | - | - | 81,460 | 67,845 | 117 | - | 67,962 |
| In-Kind Program Expenses | 244,482 | - | - | 244,482 | 282,821 | 195 | 76 | 283,092 |
| Volunteer and Donor Expenses | 298 | 245 | 321 | 864 | - | 271 | - | 271 |
| Facility Expenses | 71,941 | 5,546 | - | 77,487 | 64,414 | 4,147 | - | 68,561 |
| Total Before Depreciation | 1,301,187 | 109,222 | 99,659 | 1,510,068 | 1,329,567 | 104,299 | 87,219 | 1,521,085 |
| Depreciation | 38,864 | 1,824 | - | 40,688 | 40,683 | 1,782 | - | 42,465 |
| TOTAL EXPENSES | <u>\$ 1,340,051</u> | <u>\$ 111,046</u> | <u>\$ 99,659</u> | <u>\$ 1,550,756</u> | <u>\$ 1,370,250</u> | <u>\$ 106,081</u> | <u>\$ 87,219</u> | <u>\$ 1,563,550</u> |

See independent auditor's report and notes to financial statements.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

| | Year Ended June 30, | |
|---|---------------------|------------|
| | 2018 | 2017 |
| <i><u>Cash Flows from Operating Activities:</u></i> | | |
| Change in Net Assets | \$ 328,846 | \$ 224,148 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 40,688 | 42,465 |
| Unrealized Gain on Investments | (54,605) | (33,812) |
| Realized Gain on Sale of Investments | (1,716) | (81,735) |
| Decrease/(Increase) in Accounts Receivable | (12,147) | 126,705 |
| Decrease/(Increase) in Contributions Receivable for Operating Purposes | 6,422 | (5,284) |
| Decrease/(Increase) in Prepaid Expenses | 1,293 | (4,733) |
| Increase in Accounts Payable and Other Liabilities | 5,711 | 30,694 |
| | 314,492 | 298,448 |
| <i><u>Cash Flows from Investing Activities:</u></i> | | |
| Capital Purchases | - | (1,440) |
| Proceeds from Sale of Investments | 234,320 | 832,466 |
| Purchase of Investments | (299,928) | (904,885) |
| | (65,608) | (73,859) |
| Net Cash Used by Investing Activities | | |
| <i><u>Cash Flows from Financing Activities:</u></i> | | |
| Cash Received Restricted for Endowment | - | 5,150 |
| | - | 5,150 |
| Net Cash Provided by Financing Activities | | |
| Net Increase in Cash and Cash Equivalents | 248,884 | 229,739 |
| Cash and Cash Equivalents, Beginning of Year | 513,362 | 283,623 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 762,246 | \$ 513,362 |
| <i><u>Supplemental Data:</u></i> | | |
| Noncash Contributions | \$ 267,254 | \$ 300,969 |
| Stocks Contributed | \$ 80,581 | \$ 62,434 |

See independent auditor's report and notes to financial statements.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

ProJeCt of Easton, Inc. (ProJeCt) is a community benefit human service agency founded in 1968. The mission is to build a better community by helping people to help themselves. The agency improves the community and helps economically and educationally disadvantaged adults and children by assisting them with their emergency needs and developing their potential to achieve self sufficiency through an integrated system of evidence-based social support and education programs. ProJeCt provides assistance to more than 5,000 people a year, serving Easton and surrounding communities. The Organization is supported by donor contributions, government contracts, foundations and the United Way.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

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

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

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Management reviews contribution receivable balances for collectability based on aging of the pledges. An allowance of \$4,000 was deemed adequate by management for 2018 and 2017.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents. Money market funds held in investment accounts are excluded.

Accounts Receivable

Accounts receivable represents amounts due from various sources including government agencies. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectibles is considered necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Organization capitalizes property and equipment with an original cost over \$1,000. Property and equipment is stated at cost or at estimated fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated lives of the assets, as follows:

| | |
|------------------------|-------------|
| Equipment | 5-15 years |
| Furniture and Fixtures | 5-10 years |
| Leasehold Improvements | 5-15 years |
| Building Improvements | 10-40 years |
| Building | 40 years |

Routine repairs and maintenance costs are expensed as incurred.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Donated services of a specialized skill (i.e., legal) that would be purchased in the absence of this donation are recorded at estimated market rate for the corresponding hours spent. No amounts have been recognized in the accompanying statement of activities for donated services because the criteria for recognition of such volunteer efforts have not been satisfied. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns.

Income Taxes

ProJeCt of Easton, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for fiscal year 2018 or 2017.

The Organization files its 990 with the United States Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2015.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program, fundraising, or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated based on estimates made for time spent by key personnel between functions, space occupied by function, and other objective bases.

Concentration of Credit Risk

The Organization maintains accounts at various banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Organization maintains cash balances which may exceed federally insured limits; it historically has not experienced any credit-related losses. Amounts in excess of FDIC limits at June 30, 2018 were \$465,209.

Concentration of Grants

Approximately 25% of the Organization's support for the year ended June 30, 2018 came from government grants. Approximately 27% of the support came from government grants in 2017.

Advertising Costs

Advertising costs are expensed as incurred and charged to programs and/or management and general based on the nature of the expense. Total advertising expense was \$2,217 and \$2,522 for the years ended June 30, 2018 and 2017, respectively.

2. Investments

Investments as of June 30, 2018 and 2017 are summarized as follows:

| | June 30, 2018 | | June 30, 2017 | |
|--------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Market | Cost | Market |
| Money Market Funds | \$ 54,263 | \$ 54,263 | \$ 229,732 | \$ 229,732 |
| Mutual Funds | 1,848,013 | 1,944,646 | 1,504,230 | 1,647,248 |
| | <u>\$ 1,902,276</u> | <u>\$ 1,998,909</u> | <u>\$ 1,733,962</u> | <u>\$ 1,876,980</u> |

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Investments (Continued)

The following schedule summarized the investment return and its classification in the statements of activities for the year ended June 30, 2018 and 2017.

| | June 30, | |
|--|------------------|-------------------|
| | 2018 | 2017 |
| Interest and Dividends | \$ 47,951 | \$ 36,680 |
| Realized Gains | 1,716 | 80,910 |
| Unrealized Gains | 54,605 | 33,812 |
| Fees | <u>(9,683)</u> | <u>(8,586)</u> |
| Investment Return - Long Term Investments | \$ 94,589 | \$ 142,816 |
| Interest/Dividend Income from Operations | 195 | 124 |
| Realized (Loss)/Gain on Donated Stocks Sold | <u>(2,024)</u> | <u>825</u> |
| Investment Return Reported on Statement of Activities | <u>\$ 92,760</u> | <u>\$ 143,765</u> |

3. Contributions Receivable

Contributions receivable as of June 30, 2018 and 2017 are as follows:

| | June 30, | |
|------------------------------------|------------------|------------------|
| | 2018 | 2017 |
| Due in less than one year | \$ 41,102 | \$ 47,524 |
| Due in one to five years | <u>-</u> | <u>-</u> |
| Total Contributions Receivable | 41,102 | 47,524 |
| Less: Allowance for uncollectibles | <u>4,000</u> | <u>4,000</u> |
| Net Contributions Receivable | <u>\$ 37,102</u> | <u>\$ 43,524</u> |

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

4. Property and Equipment

Property and equipment as of June 30, 2018 and 2017 consist of the following:

| | June 30, | | | |
|-----------------------------------|--------------|------------------------|--------------|------------------------|
| | 2018 | | 2017 | |
| | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted |
| Land | \$ - | \$ 237,300 | \$ - | \$ 237,300 |
| Building | - | 1,152,644 | - | 1,152,644 |
| Leasehold Improvements | 53,894 | - | 54,194 | - |
| Furniture, Fixtures and Equipment | 114,629 | - | 114,629 | - |
| Equipment Deposit | - | - | - | - |
| | 168,523 | 1,389,944 | 168,823 | 1,389,944 |
| Less: Accumulated Depreciation | 150,243 | 332,972 | 138,898 | 303,929 |
| | \$ 18,280 | \$ 1,056,972 | \$ 29,925 | \$ 1,086,015 |

Depreciation charged to expense was \$40,688 and \$42,465 for the years ended June 30, 2018 and 2017, respectively. See Note 10 regarding the temporarily restricted portion of Property and Equipment.

5. Line of Credit

The Organization has an unsecured bank line of credit available up to a maximum credit limit of \$150,000, due on demand, which expires December 31, 2018. As of June 30, 2018 and 2017 there was no outstanding balance.

6. Leases

The Organization leases property at 320 Ferry Street, Easton, PA from St. John's Lutheran church for general operating purposes. The lease term was renewed for 1 year and extends through June 30, 2018 and requires payments of \$965 per month. Rent expense for this lease was \$11,580 and \$11,580 for the years ended June 30, 2018 and 2017, respectively. The Organization also leases office equipment under long-term operating lease agreements. Operating lease expense was \$12,316 and \$11,379 for the years ended June 30, 2018 and 2017, respectively.

Minimum lease payments under these leases are as follows:

| Year ending June 30, | |
|----------------------|-----------|
| 2019 | \$ 21,624 |
| 2020 | 9,918 |
| 2021 | 9,540 |
| 2022 | 2,385 |
| | \$ 43,467 |

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

7. Restricted Net Assets

For the years ended June 30, 2018 and 2017, temporarily restricted net asset activity consisted of the following:

| | Balance July 1, 2017 | Revenue | Released from Restrictions | Balance June 30, 2018 |
|---|-------------------------|-------------------|-------------------------------|--------------------------|
| Easton Middle School Success Program | \$ 12,500 | \$ 13,500 | \$ (12,500) | \$ 13,500 |
| Sizzle | 22,421 | 70,000 | (73,421) | 19,000 |
| Pre K Early Childhood Education | 21,357 | 27,000 | (45,430) | 2,927 |
| Literacy | 17,500 | 16,000 | (17,500) | 16,000 |
| Success Academy | 50,000 | 100,000 | (91,883) | 58,117 |
| Simply Savory | 750 | 500 | (750) | 500 |
| FEMA | 2,034 | - | (2,034) | - |
| Gift Cards-Food Pantry | - | 14,164 | (1,917) | 12,247 |
| Food Pantry | - | 3,000 | - | 3,000 |
| Assist | - | 1,000 | - | 1,000 |
| Ferry Street Building | 1,086,015 | - | (29,043) | 1,056,972 |
| Realized/Unrealized Gain and Unspent Income from Endowment | 202,200 | 90,998 | (30,720) | 262,478 |
| | <u>\$ 1,414,777</u> | <u>\$ 336,162</u> | <u>\$ (305,198)</u> | <u>\$ 1,445,741</u> |

| | Balance July 1, 2016 | Revenue | Released from Restrictions | Balance June 30, 2017 |
|---|-------------------------|-------------------|-------------------------------|--------------------------|
| Easton Middle School Success Program | \$ 27,500 | \$ 25,000 | \$ (40,000) | \$ 12,500 |
| Sizzle | 10,000 | 81,500 | (69,079) | 22,421 |
| Pre K Early Childhood Education | 19,278 | 34,500 | (32,421) | 21,357 |
| Literacy | - | 17,500 | - | 17,500 |
| Success Academy | - | 100,000 | (50,000) | 50,000 |
| Simply Savory | - | 750 | - | 750 |
| FEMA | - | 9,567 | (7,533) | 2,034 |
| Ferry Street Building | 1,115,058 | - | (29,043) | 1,086,015 |
| Realized/Unrealized Gain and Unspent Income from Endowment | 139,333 | 138,867 | (76,000) | 202,200 |
| | <u>\$ 1,311,169</u> | <u>\$ 407,684</u> | <u>\$ (304,076)</u> | <u>\$ 1,414,777</u> |

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the programs of the Organization. Permanently restricted net assets totaled \$1,366,742 at June 30, 2018 and 2017.

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8. Endowment Fund

The Organization's endowment consists of one fund established for the purpose of supporting programs, services, and building operations of the Organization. As required by accounting principles generally accepted in the United States of America, 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 Organization follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

Endowment Return Objectives, Risk Parameters and Strategies

The goal of the investment and spending policy is for the productivity of the endowment funds to strike a balance between preserving and growing principal on one hand, and supporting a spending policy that sustains the Organization's mission on the other hand. The fund is to be managed in a prudent manner. The investment objectives are to: (a) maximize contributions to the ProJeCt's operating and capital needs, (b) maintain the principal of endowment gifts and endeavor to protect the assets from erosion of purchasing power, and (c) maintain an asset allocation mix of 50-70% equities and 30-50% fixed income and cash and cash equivalents. Direct investment in securities of companies whose products or operating philosophies are contrary to the value of "service to humanity" is to be avoided.

Spending Policy

The Organization follows "Total Return Policy" guidelines as established under Pennsylvania Act 141 and as adopted by the Board of Directors. The Organization's policy will be to distribute annually between two and seven percent (allowable "Total Return Policy" range) of the trailing three fiscal year average of the endowment's total asset value. The Board of Directors, with input from management and the finance committee, will establish annually the percentage to be adopted for distribution.

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8. Endowment Fund (Continued)

The composition of net assets and the changes in endowment net assets as of June 30, 2018 and 2017 are as follows:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment Net Assets, July 1, 2017 | \$ 202,200 | \$ 1,366,742 | \$ 1,568,942 |
| Contributions | - | - | - |
| Investment Income | 32,240 | - | 32,240 |
| Net Appreciation | 58,758 | - | 58,758 |
| Amounts Released for Operations | <u>(30,720)</u> | <u>-</u> | <u>(30,720)</u> |
| Endowment Net Assets, June 30, 2018 | <u>\$ 262,478</u> | <u>\$ 1,366,742</u> | <u>\$ 1,629,220</u> |

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment Net Assets, July 1, 2016 | \$ 139,333 | \$ 1,366,742 | \$ 1,506,075 |
| Contributions | - | - | - |
| Investment Income | 24,815 | - | 24,815 |
| Net Appreciation | 114,052 | - | 114,052 |
| Amounts Released for Operations | <u>(76,000)</u> | <u>-</u> | <u>(76,000)</u> |
| Endowment Net Assets, June 30, 2017 | <u>\$ 202,200</u> | <u>\$ 1,366,742</u> | <u>\$ 1,568,942</u> |

9. Fair Value Measurements

Financial Accounting Standards Board ASC 820-10, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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9. Fair Value Measurements (Continued)

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Mutual funds – bond funds and equity funds: Valued at the net asset value (“NAV”) of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers between Level 1, Level 2, and Level 3 investments in 2018 and 2017. Transfers are recognized at the end of the reporting period.

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9. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018 and 2017:

| Assets at Fair Value as of June 30, 2018 | | | | |
|--|---------------------------|--------------------|--------------------|---------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market Funds | \$ 54,263 | \$ - | \$ - | \$ 54,263 |
| Investments - Mutual Funds | | | | |
| Bond Funds: | | | | |
| High Yield Bond | - | - | - | - |
| Intermediate-term Bond | 646,403 | - | - | 646,403 |
| Nontraditional Bond | 63,687 | - | - | 63,687 |
| Short-term Bond | 19,653 | - | - | 19,653 |
| Equity Funds: | | | | |
| Foreign Large Blend | 145,954 | - | - | 145,954 |
| Foreign Large Growth | 20,190 | - | - | 20,190 |
| Foreign Large Value | 142,862 | - | - | 142,862 |
| Large Blend | 530,466 | - | - | 530,466 |
| Multialternative | 68,126 | - | - | 68,126 |
| Options-Based | 70,536 | - | - | 70,536 |
| Small Growth | 63,298 | - | - | 63,298 |
| Small Value | 61,127 | - | - | 61,127 |
| World Allocation | 112,344 | - | - | 112,344 |
| Total Assets at Fair Value | <u>\$1,998,909</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,998,909</u> |
| Assets at Fair Value as of June 30, 2017 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market Funds | \$ 229,732 | \$ - | \$ - | \$ 229,732 |
| Investments - Mutual Funds | | | | |
| Bond Funds: | | | | |
| High Yield Bond | 61,772 | - | - | 61,772 |
| Intermediate-term Bond | 461,683 | - | - | 461,683 |
| Nontraditional Bond | - | - | - | - |
| Short-term Bond | 19,439 | - | - | 19,439 |
| Equity Funds: | | | | |
| Foreign Large Blend | 133,764 | - | - | 133,764 |
| Foreign Large Growth | 63,689 | - | - | 63,689 |
| Foreign Large Value | 138,910 | - | - | 138,910 |
| Large Blend | 436,924 | - | - | 436,924 |
| Multialternative | 154,641 | - | - | 154,641 |
| Options-Based | 69,075 | - | - | 69,075 |
| Small Growth | 53,836 | - | - | 53,836 |
| Small Value | 53,515 | - | - | 53,515 |
| World Allocation | - | - | - | - |
| Total Assets at Fair Value | <u>\$1,876,980</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,876,980</u> |

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10. Commitments and Contingencies

In September, 2005, the Organization was granted a quitclaim deed from the United States of America, acting through the Secretary of Education, for a property located on Ferry Street in Easton, Pennsylvania. The agreement requires compliance with various conditions for a period of thirty years, ending August 24, 2035. If the Organization fails to adhere to the conditions, the title and interest in the property will revert back to the government of the United States of America. The conditions are as follows: (a) The Organization must use all of the property for the educational programs described in the Organization's program plan of use, unless written consent for program modifications is received, (b) the Organization cannot sell, lease, sublease, rent, mortgage, encumber or transfer or dispose of any interest in the property, (c) the Organization must file a report on its maintenance and use of the property on an annual basis, (d) the Organization must remain a non-profit organization, and (e) the Organization must comply with Title VI of the Civil Rights Act, Title IX of the Education Amendments of 1972 and code section 504 of the Rehabilitation Act of 1973.

11. Retirement Plan

Effective January 1, 2017 the Organization amended the 403(b) plan. Employees may contribute up to the IRS maximum dollar amount plus catch-up contributions for the 2018 calendar year as either a pre-tax or Roth contribution. The Organization will match 50% of the contribution if the employee contributes between 1% and 6% of their compensation. The matching contribution will be limited to 3% of compensation. The employer matching contributions under this plan for the years ended June 30, 2018 and 2017, amounted to \$8,326 and \$2,953, respectively and discretionary contributions amounted to \$15,000 for both years. Prior to the amendment, employees contributed 2% of their salary with a match by the Organization of 1% up to \$350 per calendar year. The employer contributions prior to January 1, 2017 amounted to \$710 for the year ended June 30, 2017.

12. Subsequent Events

Management has evaluated subsequent events through December 17, 2018, which is the date the financial statements were available to be issued. No subsequent events have occurred that require recognition or disclosure.

Investments are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investment will occur in the near term. Users of these financial statements should be aware that the financial markets' volatility in 2018 may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of the investments at June 30, 2018 may not necessarily be indicative of the amounts that could be realized in a current market exchange.