

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

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

June 30, 2022 and 2021

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ProJeCt of Easton, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ProJeCt of Easton, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ProJeCt of Easton, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ProJeCt of Easton, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Congbell, Roppold & Yasaita LLP

May 9, 2023

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	June 30, 2022			June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
- ASSETS -						
Current Assets:						
Cash and Cash Equivalents	\$ 425,896	\$ 56,663	\$ 482,559	\$ 808,505	\$ 147,325	\$ 955,830
Accounts Receivable	62,751	-	62,751	86,562	-	86,562
Contributions Receivable (Note 4)	17,983	20,000	37,983	3,293	15,000	18,293
Prepaid Expenses	29,816	-	29,816	19,862	-	19,862
Total Current Assets	536,446	76,663	613,109	918,222	162,325	1,080,547
Long-Term Investments (Note 3 and 10)	1,070,943	1,701,848	2,772,791	623,832	1,988,564	2,612,396
Property and Equipment, Net (Note 5)	31,572	940,916	972,488	11,501	969,882	981,383
TOTAL ASSETS	\$ 1,638,961	\$ 2,719,427	\$ 4,358,388	\$ 1,553,555	\$ 3,120,771	\$ 4,674,326
- LIABILITIES AND NET ASSETS -						
Current Liabilities:						
Line of Credit (Note 6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Expenses	24,486	-	24,486	18,318	-	18,318
Payroll and Related Accruals	81,491	-	81,491	101,533	-	101,533
Deferred Revenue	9,797	-	9,797	4,294	-	4,294
Paycheck Protection Program Loan (Note 8)	-	-	-	196,100	-	196,100
Total Current Liabilities	115,774	-	115,774	320,245	-	320,245
Total Liabilities	115,774	-	115,774	320,245	-	320,245
- NET ASSETS -						
Undesignated	1,110,050	-	1,110,050	865,788	-	865,788
Board Designated-Operating Reserve	381,565	-	381,565	356,021	-	356,021
Invested in Property and Equipment With Donor Restrictions (Note 9)	31,572	940,916	972,488	11,501	969,882	981,383
	-	1,778,511	1,778,511	-	2,150,889	2,150,889
Total Net Assets	1,523,187	2,719,427	4,242,614	1,233,310	3,120,771	4,354,081
TOTAL LIABILITIES AND NET ASSETS	\$ 1,638,961	\$ 2,719,427	\$ 4,358,388	\$ 1,553,555	\$ 3,120,771	\$ 4,674,326

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, 2022 and 2021

	<u>Year Ended June 30, 2022</u>			<u>Year Ended June 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:						
<i>Revenues, Gains and Other Support:</i>						
Contributions	\$ 856,183	\$ 102,536	\$ 958,719	\$ 714,340	\$ 186,803	\$ 901,143
Special Events						
Revenues	56,642	-	56,642	45,333	-	45,333
Contribution of Nonfinancial Assets	3,500	-	3,500	-	-	-
Expenses	<u>(10,198)</u>	<u>-</u>	<u>(10,198)</u>	<u>(3,710)</u>	<u>-</u>	<u>(3,710)</u>
Net	49,944	-	49,944	41,623	-	41,623
Government and Federated Grants	602,176	-	602,176	573,900	-	573,900
Contributions of Nonfinancial Assets	374,778	-	374,778	286,627	-	286,627
Other Income	<u>2,744</u>	<u>-</u>	<u>2,744</u>	<u>3,011</u>	<u>-</u>	<u>3,011</u>
	<u>1,885,825</u>	<u>102,536</u>	<u>1,988,361</u>	<u>1,619,501</u>	<u>186,803</u>	<u>1,806,304</u>
Net Assets Released from Restrictions	<u>252,464</u>	<u>(252,464)</u>	<u>-</u>	<u>187,150</u>	<u>(187,150)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>2,138,289</u>	<u>(149,928)</u>	<u>1,988,361</u>	<u>1,806,651</u>	<u>(347)</u>	<u>1,806,304</u>
<i>Expenses:</i>						
Program Services	<u>1,680,978</u>	<u>-</u>	<u>1,680,978</u>	<u>1,470,820</u>	<u>-</u>	<u>1,470,820</u>
Supporting Services:						
Management and General	156,302	-	156,302	122,911	-	122,911
Fundraising	<u>89,818</u>	<u>-</u>	<u>89,818</u>	<u>95,786</u>	<u>-</u>	<u>95,786</u>
Total Supporting Services	<u>246,120</u>	<u>-</u>	<u>246,120</u>	<u>218,697</u>	<u>-</u>	<u>218,697</u>
TOTAL EXPENSES	<u>1,927,098</u>	<u>-</u>	<u>1,927,098</u>	<u>1,689,517</u>	<u>-</u>	<u>1,689,517</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>211,191</u>	<u>(149,928)</u>	<u>61,263</u>	<u>117,134</u>	<u>(347)</u>	<u>116,787</u>
Nonoperating:						
Debt Forgiveness - PPP	196,100	-	196,100	-	-	-
Investment Return	<u>(117,414)</u>	<u>(251,416)</u>	<u>(368,830)</u>	<u>53,772</u>	<u>405,090</u>	<u>458,862</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets from Nonoperating Activities	<u>78,686</u>	<u>(251,416)</u>	<u>(172,730)</u>	<u>53,772</u>	<u>405,090</u>	<u>458,862</u>
Increase (Decrease) in Net Assets	289,877	(401,344)	(111,467)	170,906	404,743	575,649
Net Assets, Beginning of Year	<u>1,233,310</u>	<u>3,120,771</u>	<u>4,354,081</u>	<u>1,062,404</u>	<u>2,716,028</u>	<u>3,778,432</u>
NET ASSETS, END OF YEAR	<u>\$ 1,523,187</u>	<u>\$ 2,719,427</u>	<u>\$ 4,242,614</u>	<u>\$ 1,233,310</u>	<u>\$ 3,120,771</u>	<u>\$ 4,354,081</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, 2022 and 2021

	<u>Year Ended June 30, 2022</u>				<u>Year Ended June 30, 2021</u>			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Personnel Related Expenses	\$ 976,020	\$ 117,088	\$ 67,057	\$ 1,160,165	\$ 893,339	\$ 87,287	\$ 72,377	\$ 1,053,003
Professional Fee Related Expenses	47,986	13,515	-	61,501	33,366	10,381	806	44,553
Operating Expenses	56,283	16,668	22,700	95,651	62,946	15,237	22,603	100,786
Client Assistance and Supplies	109,586	-	-	109,586	97,745	-	-	97,745
In-Kind Program Expenses	373,998	750	30	374,778	285,028	1,599	-	286,627
Volunteer and Donor Expenses	647	7	31	685	353	-	-	353
Facility Expenses	85,072	8,096	-	93,168	65,322	7,455	-	72,777
Special Event Expenses	-	-	10,198	10,198	-	-	3,710	3,710
Total Before Depreciation	1,649,592	156,124	100,016	1,905,732	1,438,099	121,959	99,496	1,659,554
Depreciation	31,386	178	-	31,564	32,721	952	-	33,673
Total Expenses by Function	1,680,978	156,302	100,016	1,937,296	1,470,820	122,911	99,496	1,693,227
Less: Expenses Included With Revenues on the Statements of Activities:								
Direct Costs of Special Events	-	-	(10,198)	(10,198)	-	-	(3,710)	(3,710)
	<u>\$ 1,680,978</u>	<u>\$ 156,302</u>	<u>\$ 89,818</u>	<u>\$ 1,927,098</u>	<u>\$ 1,470,820</u>	<u>\$ 122,911</u>	<u>\$ 95,786</u>	<u>\$ 1,689,517</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, 2022 and 2021

	Year Ended June 30,	
	2022	2021
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ (111,467)	\$ 575,649
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	31,564	33,673
Unrealized (Gain) Loss on Investments	476,166	(370,207)
Realized Gain on Sale of Investments	(13,527)	(40,658)
Debt Forgiveness - PPP	(196,100)	-
Decrease (Increase) in Accounts Receivable	23,811	(12,948)
Decrease (Increase) in Contributions Receivable for Operating Purposes	(19,690)	22,761
Increase in Prepaid Expenses	(9,954)	(3,004)
Decrease in Accounts Payable and Other Liabilities	(8,371)	(4,333)
Net Cash Provided by Operating Activities	172,432	200,933
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Property and Equipment	(22,669)	(5,493)
Proceeds from Sale of Investments	160,928	172,899
Purchase of Investments	(783,962)	(220,999)
Net Cash Used by Investing Activities	(645,703)	(53,593)
Net Increase (Decrease) in Cash and Cash Equivalents	(473,271)	147,340
Cash and Cash Equivalents, Beginning of Year	955,830	808,490
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 482,559	\$ 955,830
<i><u>Supplemental Data:</u></i>		
Contributions of Nonfinancial Assets (Food, Supplies, and Transportation)	\$ 374,778	\$ 286,627
Contributions of Nonfinancial Assets (Special Events Related)	\$ 3,500	\$ -
Stocks Contributed (Included in Contributions)	\$ 112,076	\$ 60,744

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, 2022 and 2021

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 Accounting

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.

Basis of Presentation

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

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 resource 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.

Revenues

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other 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. Expirations of 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, 2022 and 2021

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

Revenues (Continued)

- Grants and Contributions – The Organization receives multiple grants from government agencies and contributions from individuals and the general public used to assist with the Organization’s daily operations. Grants and contributions are recognized in the period that they earned in accordance with ASC 958-605.

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, 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. 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 \$141 and \$4,000 was deemed adequate by management for 2022 and 2021, respectively.

The Organization reports gifts of goods and equipment as support without donor restrictions 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.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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

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 Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment

The Organization capitalizes property and equipment with an original cost over \$2,500. 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.

Contributions of Nonfinancial Assets

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. A substantial number of volunteers have donated significant amounts of their time in the Organization's service. The value of the contributed time is not reflected in the financial statements since the volunteers' time does not meet the criteria necessary for recognition.

The Organization recognized contributed nonfinancial assets within Revenue, Gains, and Other Support on the Statements of Activities, including facilities use, advertising, consumer prizes, and specialized services. The contributed nonfinancial assets are recorded at estimated fair value utilizing information reported by the donor organization or individual. There were no contributed nonfinancial assets that had donor-imposed restrictions.

Contributed facilities consist of a room rental for the Organization's special event. In valuing the contributed facilities, the Organization estimated the fair value based on recent comparable rental rates in the local real estate market.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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

Contributions of Nonfinancial Assets (Continued)

Contributed food donations are valued and reported based on an amount per pound that is based on fair market value. Food donations are used in program services.

Transportation services recognized are comprised of busing services related to providing accessibility to the SIZZLE program. Transportation services are for program activities. Transportation services are valued and are reported at the estimated fair value in the financial statements based on current rates for local transportation.

Supplies recognized are comprised of miscellaneous supplies that are used for various programs. Supplies are valued and reported at the estimated fair value in the financial statements based on current rates for local supplies.

Contributed nonfinancial assets are as follows:

	June 30,	
	2022	2021
Food	\$ 350,108	\$ 285,634
Transportation	21,287	-
Supplies	3,383	993
Space Rentals	3,500	-
Total	\$ 378,278	\$ 286,627

Operations

Results from operations in the Statements of Activities reflect all transactions increasing or decreasing net assets except those items of a capital nature – that is, items associated with investment or acquisition of land, building, and equipment. For 2022, debt forgiveness related to the PPP loan was also considered a nonoperating item.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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

Income Taxes

ProJeCt of Easton, Inc. is a not-for-profit corporation 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 2022 and 2021.

The Organization files its 990 with the United States Internal Revenue Service.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. 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, 2022 were approximately \$73,500.

Concentration of Grants

Approximately 24% and 28% of the Organization's support for the year ended June 30, 2022 and 2021, respectively came from government grants.

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 \$848 and \$0 for the years ended June 30, 2022 and 2021, respectively.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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

Accounting for Paycheck Protection Program (PPP)

The Organization may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, Debt, or under other models, if certain conditions are met. If the Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. As of June 30, 2020, management had not evaluated whether the Organization would meet the eligibility criteria for full forgiveness of the Loan. For this reason, the Organization elected the debt method. Under this method, the Organization recorded a debt liability on the Statement of Financial Position and subsequently recognized revenue from loan forgiveness once forgiveness was determined by the Small Business Administration. On May 8, 2020, the Organization received \$196,100 under the Paycheck Protection Program. Forgiveness was received July, 2021, and the extinguishment of debt was recognized in the financial statements during the year ending June 30, 2022.

Adoption of New Accounting Standards

On July 1, 2021, the Organization adopted Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets with an intention to provide the readers of the financial statements with an understanding of the type of nonfinancial assets received, how they are used, if there are donor restrictions, and the valuation methods and principal markets used to determine the fair market value of the nonfinancial assets. ASU 2020-07 is applied on a retrospective basis.

2. Liquidity and Availability of Resources

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

	June 30,	
	2022	2021
<i>Without Donor Restrictions:</i>		
Cash and Cash Equivalents	\$ 425,896	\$ 808,505
Accounts Receivable	62,751	86,562
Contributions Receivable	17,983	3,293
Long-Term Investments	1,070,943	623,832
	1,577,573	1,522,192
Less: Designated for Operating Reserve	(381,565)	(356,021)
	\$ 1,196,008	\$ 1,166,171

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2. Liquidity and Availability of Resources (Continued)

The Organization is supported mainly by contributions and contract revenues. The Organization believes that funding from contract revenues and contributions and the assets held at June 30, 2022, are sufficient to enable the Organization to continue operating for the upcoming year. Additionally, the Organization has access to a \$150,000 line of credit that it could draw upon to meet cash needs. The operating reserve designated by the Board of Directors could be made available with action by the Board (See Note 9).

3. Investments

Investments as of June 30, 2022 and 2021 are summarized as follows:

	June 30, 2022		June 30, 2021	
	Cost	Market	Cost	Market
Money Market Funds	\$ 74,320	\$ 74,320	\$ 47,278	\$ 47,278
Mutual Funds	2,650,740	2,698,471	2,041,691	2,565,118
	<u>\$ 2,725,060</u>	<u>\$ 2,772,791</u>	<u>\$ 2,088,969</u>	<u>\$ 2,612,396</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2022 and 2021.

	June 30,	
	2022	2021
Interest and Dividends	\$ 107,400	\$ 59,237
Realized Gains	15,675	40,927
Unrealized Gains (Losses)	(476,166)	370,207
Fees	<u>(13,823)</u>	<u>(11,405)</u>
Investment Return - Long Term		
Investments	\$ (366,914)	\$ 458,966
Interest/Dividend Income from Operations	232	165
Realized Gain (Loss) on Donated		
Stocks Sold	<u>(2,148)</u>	<u>(269)</u>
Investment Return Reported		
on Statement of Activities	<u>\$ (368,830)</u>	<u>\$ 458,862</u>

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4. Contributions Receivable

Contributions receivable as of June 30, 2022 and 2021 are as follows:

	June 30,	
	2022	2021
Due in less than one year	\$ 38,124	\$ 22,293
Due in one to five years	-	-
	38,124	22,293
Total Contributions Receivable	38,124	22,293
Less: Allowance for uncollectibles	141	4,000
Net Contributions Receivable	\$ 37,983	\$ 18,293

5. Property and Equipment

Property and equipment as of June 30, 2022 and 2021 consist of the following:

	June 30,			
	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Land	\$ -	\$ 237,300	\$ -	\$ 237,300
Building	13,850	1,152,644	7,500	1,152,644
Leasehold Improvements	53,894	-	53,894	-
Furniture, Fixtures and Equipment	109,927	-	120,122	-
Equipment Deposit	-	-	-	-
	177,671	1,389,944	181,516	1,389,944
Less: Accumulated Depreciation	146,099	449,028	170,015	420,062
	\$ 31,572	\$ 940,916	\$ 11,501	\$ 969,882

Depreciation charged to expense was \$31,564 and \$33,673 for the years ended June 30, 2022 and 2021, respectively. See Note 12 regarding the portion of Property and Equipment with donor restrictions.

6. 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 30, 2023. As of June 30, 2022 and 2021 there was no outstanding balance.

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7. Leases

The Organization leases property at 320 Ferry Street, Easton, PA from St. John's Lutheran church for general operating purposes. Rent is \$1,000 per month and the lease extends until June 30, 2024. Rent was \$12,000 annually for the years ended June 30, 2022 and 2021. The Organization also leases office equipment under long-term operating lease agreements. Operating lease expense was \$12,225 and \$9,918 for the years ended June 30, 2022 and 2021, respectively.

Minimum lease payments under these leases are as follows:

Year ending June 30,		
2023	\$	24,225
2024		24,225
2025		11,851
2026		<u>6,833</u>
	\$	<u>67,134</u>

8. Paycheck Protection Program Loan

On May 8, 2020, the Organization received \$196,100 under the Paycheck Protection Program. There is a note payable in connection with the amount received. The note payable bears interest at 1.00% and the note is backed by the United States Small Business Administration (SBA). The note is forgivable under certain circumstances. Under the original terms of the loan, if not forgiven, the note was payable in eighteen monthly installments of \$10,894 plus interest from December, 2020 through May, 2022. Subsequent to the loan issuance, the SBA modified the terms of the Paycheck Protection Program, allowing borrowers to select a 24-week forgiveness period instead of the initial 8-week period. The forgiveness period then impacts the ten-month deferment period. The Organization elected the 24-week forgiveness period, and as such, the first loan payment, if not forgiven, was due in August, 2021. The Organization received forgiveness in July, 2021.

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9. Net Assets

Net Assets With Donor Restrictions

For the years ended June 30, 2022 and 2021, net assets with donor restrictions net asset activity consisted of the following:

	Balance July 1, 2021	Revenue	Released from Restrictions	Balance June 30, 2022
<i>Purpose Restricted:</i>				
Easton Middle School Success Program	\$ 15,000	\$ 20,000	\$ (15,000)	\$ 20,000
Pre K Early Childhood Education	29,982	42,722	(57,202)	15,502
Literacy	63,333	10,000	(65,000)	8,333
Simply Savory	1,000	-	-	1,000
Gift Cards-Food Pantry	45,755	28,264	(43,741)	30,278
Gift Cards-Other	-	1,550	-	1,550
Food Pantry	7,254	-	(7,254)	-
Ferry Street Building (See Note 12)	969,883	-	(28,967)	940,916
Realized/Unrealized Gain and Unspent Income from Endowment (See Note 10)	621,822	(251,416)	(35,300)	335,106
<i>Restricted in Perpetuity:</i>				
Endowment (See Note 10)	1,366,742	-	-	1,366,742
	<u>\$ 3,120,771</u>	<u>\$ (148,880)</u>	<u>\$ (252,464)</u>	<u>\$ 2,719,427</u>
	Balance July 1, 2020	Revenue	Released from Restrictions	Balance June 30, 2021
<i>Purpose Restricted:</i>				
Easton Middle School Success Program	\$ 15,000	\$ 15,000	\$ (15,000)	\$ 15,000
Sizzle	9,000	-	(9,000)	-
Pre K Early Childhood Education	9,269	51,000	(30,287)	29,982
Literacy	24,333	71,500	(32,500)	63,333
Simply Savory	1,000	-	-	1,000
Gift Cards-Food Pantry	18,285	31,445	(3,975)	45,755
Food Pantry	23,879	17,858	(34,483)	7,254
Ferry Street Building (See Note 12)	998,888	-	(29,005)	969,883
Realized/Unrealized Gain and Unspent Income from Endowment (See Note 10)	249,632	405,090	(32,900)	621,822
<i>Restricted in Perpetuity:</i>				
Endowment (See Note 10)	1,366,742	-	-	1,366,742
	<u>\$ 2,716,028</u>	<u>\$ 591,893</u>	<u>\$ (187,150)</u>	<u>\$ 3,120,771</u>

Board Designated – Operating Reserve

The Board has adopted a Board Designated Operating Reserve Fund policy. The general purpose of the fund is to help ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions and changes affecting the Organization's financial position and the ability of the Organization to continuously carry out its mission. The reserve's target amount to be attained and maintained is 25% of annual operating expenses or about three months of expenses on average, excluding depreciation and in-kind expenses. At June 30, 2022 and 2021, the board designated operating reserve fund balances were \$381,565 and \$356,021, respectively.

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10. 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 net assets with donor restrictions in perpetuity (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.

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 the percentage annually to be adopted for distribution.

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10. Endowment Fund (Continued)

As of June 30, 2022 and 2021, total endowment composition by net assets class is:

	2022		2021	
	With Donor Restrictions	Total	With Donor Restrictions	Total
Donor-Restricted Endowment				
Purpose and Time Restricted	\$ 335,106	\$ 335,106	\$ 621,822	\$ 621,822
Restricted in Perpetuity	1,366,742	1,366,742	1,366,742	1,366,742
Endowment Net Assets, June 30,	<u>\$ 1,701,848</u>	<u>\$ 1,701,848</u>	<u>\$ 1,988,564</u>	<u>\$ 1,988,564</u>
	2022		2021	
	With Donor Restrictions	Total	With Donor Restrictions	Total
Endowment Net Assets, July 1,	\$ 1,988,564	\$ 1,988,564	\$ 1,616,374	\$ 1,616,374
Contributions	-	-	-	-
Investment Income	72,682	72,682	36,945	36,945
Net Appreciation (Depreciation)	(324,098)	(324,098)	368,145	368,145
Amounts Released for Operations	(35,300)	(35,300)	(32,900)	(32,900)
Endowment Net Assets, June 30,	<u>\$ 1,701,848</u>	<u>\$ 1,701,848</u>	<u>\$ 1,988,564</u>	<u>\$ 1,988,564</u>

11. 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.
- 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.

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11. Fair Value Measurements (Continued)

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, 2022.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022 and 2021:

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11. Fair Value Measurements (Continued)

Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 74,320	\$ -	\$ -	\$ 74,320
Investments - Mutual Funds				
Bond Funds:				
Intermediate-term Bond	1,162,186	-	-	1,162,186
Nontraditional Bond	103,811	-	-	103,811
Ultrashort Bond	72,000	-	-	72,000
Equity Funds:				
Foreign Large Blend	145,175	-	-	145,175
Foreign Large Growth	53,970	-	-	53,970
Foreign Large Value	150,038	-	-	150,038
Large Blend	639,187	-	-	639,187
Small Growth	65,396	-	-	65,396
Small Value	66,325	-	-	66,325
World Allocation	240,383	-	-	240,383
Total Assets at Fair Value	\$ 2,772,791	\$ -	\$ -	\$ 2,772,791

Assets at Fair Value as of June 30, 2021				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 47,278	\$ -	\$ -	\$ 47,278
Investments - Mutual Funds				
Bond Funds:				
Intermediate-term Bond	899,230	-	-	899,230
Nontraditional Bond	134,055	-	-	134,055
Ultrashort Bond	57,200	-	-	57,200
Equity Funds:				
Foreign Large Blend	181,707	-	-	181,707
Foreign Large Growth	41,245	-	-	41,245
Foreign Large Value	182,782	-	-	182,782
Large Blend	707,377	-	-	707,377
Small Growth	79,805	-	-	79,805
Small Value	84,345	-	-	84,345
World Allocation	197,372	-	-	197,372
Total Assets at Fair Value	\$ 2,612,396	\$ -	\$ -	\$ 2,612,396

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12. 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 biennial 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.

13. 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 each 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, 2022 and 2021, amounted to \$15,657 and \$15,409, respectively and discretionary contributions amounted to \$-0- for June 30, 2022 and 2021.

14. Subsequent Events

Management has evaluated subsequent events through May 9, 2023, which is the date the financial statements were available to be issued.

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 may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of the investments at June 30, 2022 may not necessarily be indicative of the amounts that could be realized in a current market exchange.

The COVID-19 pandemic is ongoing and has significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2023 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing.