

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

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

**June 30, 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, 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.

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, 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.

### 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 & Yasuta LLP*

May 11, 2022

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>June 30, 2021</u>			<u>June 30, 2020</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>
<b>- ASSETS -</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 808,505	\$ 147,325	\$ 955,830	\$ 742,724	\$ 65,766	\$ 808,490
Accounts Receivable	86,562	-	86,562	73,614	-	73,614
Contributions Receivable (Note 4)	3,293	15,000	18,293	6,054	35,000	41,054
Prepaid Expenses	19,862	-	19,862	16,858	-	16,858
Total Current Assets	918,222	162,325	1,080,547	839,250	100,766	940,016
Long-Term Investments (Note 3 and 10)	623,832	1,988,564	2,612,396	537,057	1,616,374	2,153,431
Property and Equipment, Net (Note 5)	11,501	969,882	981,383	10,675	998,888	1,009,563
<b>TOTAL ASSETS</b>	<b><u>\$ 1,553,555</u></b>	<b><u>\$ 3,120,771</u></b>	<b><u>\$ 4,674,326</u></b>	<b><u>\$ 1,386,982</u></b>	<b><u>\$ 2,716,028</u></b>	<b><u>\$ 4,103,010</u></b>
<b>- LIABILITIES AND NET ASSETS -</b>						
Current Liabilities:						
Line of Credit (Note 6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Expenses	18,318	-	18,318	26,251	-	26,251
Payroll and Related Accruals	101,533	-	101,533	82,125	-	82,125
Deferred Revenue	4,294	-	4,294	20,102	-	20,102
Paycheck Protection Program Loan (Note 8)	196,100	-	196,100	196,100	-	196,100
Total Current Liabilities	320,245	-	320,245	324,578	-	324,578
Total Liabilities	320,245	-	320,245	324,578	-	324,578
<b>- NET ASSETS -</b>						
Undesignated	865,788	-	865,788	658,061	-	658,061
Board Designated-Operating Reserve	356,021	-	356,021	393,668	-	393,668
Invested in Property and Equipment With Donor Restrictions (Note 9)	11,501	969,882	981,383	10,675	998,888	1,009,563
	-	2,150,889	2,150,889	-	1,717,140	1,717,140
Total Net Assets	1,233,310	3,120,771	4,354,081	1,062,404	2,716,028	3,778,432
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,553,555</u></b>	<b><u>\$ 3,120,771</u></b>	<b><u>\$ 4,674,326</u></b>	<b><u>\$ 1,386,982</u></b>	<b><u>\$ 2,716,028</u></b>	<b><u>\$ 4,103,010</u></b>

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, 2021 and 2020**

	<u>Year Ended June 30, 2021</u>			<u>Year Ended June 30, 2020</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>
<b>Operating Activities:</b>						
<i>Revenues, Gains and Support:</i>						
Contributions	\$ 714,340	\$ 186,803	\$ 901,143	\$ 576,828	\$ 207,700	\$ 784,528
Special Events						
Revenues	45,333	-	45,333	46,709	1,000	47,709
Expenses	(3,710)	-	(3,710)	(14,154)	-	(14,154)
Net	41,623	-	41,623	32,555	1,000	33,555
Contract Revenue	573,900	-	573,900	429,304	-	429,304
In-Kind Contributions	286,627	-	286,627	328,117	-	328,117
Other Income	3,011	-	3,011	3,125	-	3,125
	<u>1,619,501</u>	<u>186,803</u>	<u>1,806,304</u>	<u>1,369,929</u>	<u>208,700</u>	<u>1,578,629</u>
Net Assets Released from Restrictions	<u>187,150</u>	<u>(187,150)</u>	<u>-</u>	<u>306,410</u>	<u>(306,410)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,806,651</u>	<u>(347)</u>	<u>1,806,304</u>	<u>1,676,339</u>	<u>(97,710)</u>	<u>1,578,629</u>
<i>Expenses:</i>						
Program Services	<u>1,470,820</u>	<u>-</u>	<u>1,470,820</u>	<u>1,453,169</u>	<u>-</u>	<u>1,453,169</u>
Supporting Services:						
Management and General	122,911	-	122,911	126,340	-	126,340
Fundraising	95,786	-	95,786	101,730	-	101,730
Total Supporting Services	<u>218,697</u>	<u>-</u>	<u>218,697</u>	<u>228,070</u>	<u>-</u>	<u>228,070</u>
TOTAL EXPENSES	<u>1,689,517</u>	<u>-</u>	<u>1,689,517</u>	<u>1,681,239</u>	<u>-</u>	<u>1,681,239</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>117,134</u>	<u>(347)</u>	<u>116,787</u>	<u>(4,900)</u>	<u>(97,710)</u>	<u>(102,610)</u>
<b>Nonoperating:</b>						
Investment Return	53,772	405,090	458,862	32,625	8,261	40,886
Capital Contributions	-	-	-	-	-	-
Increase in Net Assets from Nonoperating Activities	<u>53,772</u>	<u>405,090</u>	<u>458,862</u>	<u>32,625</u>	<u>8,261</u>	<u>40,886</u>
Increase (Decrease) in Net Assets	170,906	404,743	575,649	27,725	(89,449)	(61,724)
Net Assets, Beginning of Year	<u>1,062,404</u>	<u>2,716,028</u>	<u>3,778,432</u>	<u>1,034,679</u>	<u>2,805,477</u>	<u>3,840,156</u>
NET ASSETS, END 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>

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, 2021 and 2020**

	<u>Year Ended June 30, 2021</u>				<u>Year Ended June 30, 2020</u>			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Personnel Related Expenses	\$ 893,339	\$ 87,287	\$ 72,377	\$ 1,053,003	\$ 853,930	\$ 87,701	\$ 79,978	\$ 1,021,609
Professional Fee Related Expenses	33,366	10,381	806	44,553	54,333	16,079	-	70,412
Operating Expenses	62,946	15,237	22,603	100,786	50,162	14,414	21,640	86,216
Program Related Expenses	97,745	-	-	97,745	70,781	-	-	70,781
In-Kind Program Expenses	285,028	1,599	-	286,627	327,692	425	-	328,117
Volunteer and Donor Expenses	353	-	-	353	152	3	112	267
Facility Expenses	65,322	7,455	-	72,777	61,766	6,805	-	68,571
Special Event Expenses	-	-	3,710	3,710	-	-	14,154	14,154
<b>Total Before Depreciation</b>	<b>1,438,099</b>	<b>121,959</b>	<b>99,496</b>	<b>1,659,554</b>	<b>1,418,816</b>	<b>125,427</b>	<b>115,884</b>	<b>1,660,127</b>
Depreciation	32,721	952	-	33,673	34,353	913	-	35,266
<b>Total Expenses by Function</b>	<b>1,470,820</b>	<b>122,911</b>	<b>99,496</b>	<b>1,693,227</b>	<b>1,453,169</b>	<b>126,340</b>	<b>115,884</b>	<b>1,695,393</b>
Less: Expenses Included With Revenues on the Statements of Activities:								
Direct Costs of Special Events	-	-	(3,710)	(3,710)	-	-	(14,154)	(14,154)
	<u>\$ 1,470,820</u>	<u>\$ 122,911</u>	<u>\$ 95,786</u>	<u>\$ 1,689,517</u>	<u>\$ 1,453,169</u>	<u>\$ 126,340</u>	<u>\$ 101,730</u>	<u>\$ 1,681,239</u>

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

**PROJECT OF EASTON, INC.**  
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**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2021 and 2020**

	Year Ended June 30,	
	2021	2020
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 575,649	\$ (61,724)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	33,673	35,266
Unrealized (Gain) Loss on Investments	(370,207)	13,369
Realized (Gain) Loss on Sale of Investments	(40,658)	(2,554)
Increase in Accounts Receivable	(12,948)	(41,346)
Decrease/(Increase) in Contributions Receivable for Operating Purposes	22,761	(16,148)
Increase in Prepaid Expenses	(3,004)	(698)
(Decrease) Increase in Accounts Payable and Other Liabilities	(4,333)	15,913
Net Cash Provided (Used) by Operating Activities	200,933	(57,922)
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Property and Equipment	(5,493)	(7,500)
Proceeds from Sale of Investments	172,899	285,903
Purchase of Investments	(220,999)	(335,027)
Net Cash Used by Investing Activities	(53,593)	(56,624)
<i><u>Cash Flows from Financing Activities:</u></i>		
Borrowing on PPP Loan	-	196,100
Net Cash Provided by Financing Activities	-	196,100
Net Increase in Cash and Cash Equivalents	147,340	81,554
Cash and Cash Equivalents, Beginning of Year	808,490	726,936
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 955,830</b>	<b>\$ 808,490</b>
<i><u>Supplemental Data:</u></i>		
In-Kind Contributions (Food, Supplies, and Transportation)	\$ 286,627	\$ 328,117
In-Kind - Special Events Related	\$ -	\$ 5,048
Stocks Contributed (Included in Contributions)	\$ 60,744	\$ 61,540

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, 2021 and 2020**

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**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, 2021 and 2020**

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**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 \$4,000 was deemed adequate by management for 2021 and 2020.

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.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

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**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 \$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 specialized skill (i.e., legal) that would be purchased in the absence of this donation are recorded at an 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.

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.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

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**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 2021 and 2020.

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, 2021 were \$505,854.

*Concentration of Grants*

Approximately 28% and 22% of the Organization's support for the year ended June 30, 2021 and 2020, 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 \$0 and \$940 for the years ended June 30, 2021 and 2020, respectively.

**PROJECT OF EASTON, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

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**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 will subsequently recognize revenue from the extinguishment of debt once forgiveness has been 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 will be recognized in the financial statements during the year ending June 30, 2022.

Adoption of New Accounting Standards

During 2021, the Organization adopted ASU No. 2018-03, *Fair Value Measurements* (Topic 820), which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements under Topic 820, including changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop level 3 fair value measurements, and the narrative description of measurement uncertainty.

**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,	
	2021	2020
<i>Without Donor Restrictions:</i>		
Cash and Cash Equivalents	\$ 808,505	\$ 742,724
Accounts Receivable	86,562	73,614
Contributions Receivable	3,293	6,054
Long-Term Investments	623,832	537,057
	1,522,192	1,359,449
Less: Designated for Operating Reserve	(356,021)	(393,668)
	\$ 1,166,171	\$ 965,781

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

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**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, 2021, is 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, 2021 and 2020 are summarized as follows:

	June 30, 2021		June 30, 2020	
	Cost	Market	Cost	Market
Money Market Funds	\$ 47,278	\$ 47,278	\$ 23,181	\$ 23,181
Mutual Funds	2,041,691	2,565,118	1,977,031	2,130,250
	<u>\$ 2,088,969</u>	<u>\$ 2,612,396</u>	<u>\$ 2,000,212</u>	<u>\$ 2,153,431</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2021 and 2020.

	June 30,	
	2021	2020
Interest and Dividends	\$ 59,237	\$ 62,311
Realized Gains (Losses)	40,927	2,269
Unrealized Gains (Losses)	370,207	(13,369)
Fees	(11,405)	(10,633)
Investment Return - Long Term Investments	\$ 458,966	\$ 40,578
Interest/Dividend Income from Operations	165	23
Realized Gain (Loss) on Donated Stocks Sold	(269)	285
Investment Return Reported on Statement of Activities	<u>\$ 458,862</u>	<u>\$ 40,886</u>

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**4. Contributions Receivable**

Contributions receivable as of June 30, 2021 and 2020 are as follows:

	June 30,	
	2021	2020
Due in less than one year	\$ 22,293	\$ 45,054
Due in one to five years	-	-
	22,293	45,054
Total Contributions Receivable	22,293	45,054
Less: Allowance for uncollectibles	4,000	4,000
Net Contributions Receivable	\$ 18,293	\$ 41,054

**5. Property and Equipment**

Property and equipment as of June 30, 2021 and 2020 consist of the following:

	June 30,			
	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Land	\$ -	\$ 237,300	\$ -	\$ 237,300
Building	7,500	1,152,644	7,500	1,152,644
Leasehold Improvements	53,894	-	53,894	-
Furniture, Fixtures and Equipment	120,122	-	114,629	-
Equipment Deposit	-	-	-	-
	181,516	1,389,944	176,023	1,389,944
Less: Accumulated Depreciation	170,015	420,062	165,348	391,056
	\$ 11,501	\$ 969,882	\$ 10,675	\$ 998,888

Depreciation charged to expense was \$33,673 and \$35,266 for the years ended June 30, 2021 and 2020, 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, 2022. As of June 30, 2021 and 2020 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. The lease term formally expired prior to July 1, 2017 and has continued on a month-to-month basis since then based on the mutual understanding between the Organization and the church. Rent is \$850 per month plus refuse costs, \$124 per month. Total expense for the years ended June 30, 2021 and 2020 was \$11,688. The Organization expects to continue leasing this space, at a minimum, through June 30, 2022. The Organization also leases office equipment under long-term operating lease agreements. Operating lease expense was \$9,918 and \$6,180 for the years ended June 30, 2021 and 2020, respectively.

Minimum lease payments under these leases are as follows:

Year ending June 30,	
2022	\$ 12,225
2023	12,225
2024	12,225
2025	11,851
2026	<u>6,833</u>
	<u>\$ 55,359</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, is 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, 2021 and 2020, net assets with donor restrictions net asset activity consisted of the following:

	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>
	Balance July 1, 2019	Revenue	Released from Restrictions	Balance June 30, 2020
<i>Purpose Restricted:</i>				
Easton Middle School Success Program	\$ 12,500	\$ 15,000	\$ (12,500)	\$ 15,000
Sizzle	9,000	67,500	(67,500)	9,000
Pre K Early Childhood Education	6,516	64,000	(61,247)	9,269
Literacy	28,333	26,000	(30,000)	24,333
Simply Savory	-	1,000	-	1,000
FEMA	7,874	-	(7,874)	-
Gift Cards-Food Pantry	16,262	11,269	(9,246)	18,285
Food Pantry	7,500	23,931	(7,552)	23,879
Ferry Street Building (See Note 12)	1,027,929	-	(29,041)	998,888
Realized/Unrealized Gain and Unspent Income from Endowment (See Note 10)	322,821	8,261	(81,450)	249,632
<i>Restricted in Perpetuity:</i>				
Endowment (See Note 10)	1,366,742	-	-	1,366,742
	<u>\$ 2,805,477</u>	<u>\$ 216,961</u>	<u>\$ (306,410)</u>	<u>\$ 2,716,028</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, 2021 and 2020, the board designated operating reserve fund balances were \$356,021 and \$393,668, 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, 2021 and 2020, total endowment composition by net assets class is:

	2021		2020	
	With Donor Restrictions	Total	With Donor Restrictions	Total
Donor-Restricted Endowment				
Purpose and Time Restricted	\$ 621,822	\$ 621,822	\$ 249,632	\$ 249,632
Restricted in Perpetuity	1,366,742	1,366,742	1,366,742	1,366,742
Endowment Net Assets, June 30,	<u>\$ 1,988,564</u>	<u>\$ 1,988,564</u>	<u>\$ 1,616,374</u>	<u>\$ 1,616,374</u>
	2021		2020	
	With Donor Restrictions	Total	With Donor Restrictions	Total
Endowment Net Assets, July 1,	\$ 1,616,374	\$ 1,616,374	\$ 1,689,563	\$ 1,689,563
Contributions	-	-	-	-
Investment Income	36,945	36,945	46,483	46,483
Net Appreciation (Depreciation)	368,145	368,145	(38,222)	(38,222)
Amounts Released for Operations	(32,900)	(32,900)	(81,450)	(81,450)
Endowment Net Assets, June 30,	<u>\$ 1,988,564</u>	<u>\$ 1,988,564</u>	<u>\$ 1,616,374</u>	<u>\$ 1,616,374</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, 2021.

*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, 2021 and 2020:

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**11. Fair Value Measurements (Continued)**

	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
<b>Total Assets at Fair Value</b>	<b><u>\$ 2,612,396</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,612,396</u></b>
	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 23,181	\$ -	\$ -	\$ 23,181
Investments - Mutual Funds				
Bond Funds:				
Intermediate-term Bond	840,595	-	-	840,595
Nontraditional Bond	111,972	-	-	111,972
Ultrashort Bond	19,733	-	-	19,733
Equity Funds:				
Foreign Large Blend	134,999	-	-	134,999
Foreign Large Growth	25,889	-	-	25,889
Foreign Large Value	124,629	-	-	124,629
Large Blend	600,542	-	-	600,542
Small Growth	74,095	-	-	74,095
Small Value	54,601	-	-	54,601
World Allocation	143,195	-	-	143,195
<b>Total Assets at Fair Value</b>	<b><u>\$ 2,153,431</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,153,431</u></b>

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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, 2021 and 2020, amounted to \$15,409 and \$9,626, respectively and discretionary contributions amounted to \$-0- for June 30, 2021 and 2020.

**14. Subsequent Events**

Management has evaluated subsequent events through May 11, 2022, 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, 2021 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 2022 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.