

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

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

June 30, 2020

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

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

We have audited the accompanying financial statements of ProJeCt of Easton, Inc. (A Not-for-Profit Corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProJeCt of Easton, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Campbell, Rappold & Yasaita LLP

May 10, 2021

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
- ASSETS -						
Current Assets:						
Cash and Cash Equivalents	\$ 742,724	\$ 65,766	\$ 808,490	\$ 667,464	\$ 59,472	\$ 726,936
Accounts Receivable	73,614	-	73,614	25,255	7,013	32,268
Contributions Receivable (Note 4)	6,054	35,000	41,054	3,406	21,500	24,906
Prepaid Expenses	16,858	-	16,858	16,160	-	16,160
Total Current Assets	839,250	100,766	940,016	712,285	87,985	800,270
Long-Term Investments (Note 3 and 10)	537,057	1,616,374	2,153,431	425,559	1,689,563	2,115,122
Property and Equipment, Net (Note 5)	10,675	998,888	1,009,563	9,400	1,027,929	1,037,329
TOTAL ASSETS	\$ 1,386,982	\$ 2,716,028	\$ 4,103,010	\$ 1,147,244	\$ 2,805,477	\$ 3,952,721
- LIABILITIES AND NET ASSETS -						
Current Liabilities:						
Line of Credit (Note 6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Expenses	26,251	-	26,251	42,856	-	42,856
Payroll and Related Accruals	82,125	-	82,125	69,709	-	69,709
Deferred Revenue	20,102	-	20,102	-	-	-
Total Current Liabilities	128,478	-	128,478	112,565	-	112,565
Paycheck Protection Program Loan (Note 8)	196,100	-	196,100	-	-	-
Total Liabilities	324,578	-	324,578	112,565	-	112,565
- NET ASSETS -						
Undesignated	658,061	-	658,061	660,902	-	660,902
Board Designated-Operating Reserve	393,668	-	393,668	364,377	-	364,377
Invested in Property and Equipment With Donor Restrictions (Note 9)	10,675	998,888	1,009,563	9,400	1,027,929	1,037,329
	-	1,717,140	1,717,140	-	1,777,548	1,777,548
Total Net Assets	1,062,404	2,716,028	3,778,432	1,034,679	2,805,477	3,840,156
TOTAL LIABILITIES AND NET ASSETS	\$ 1,386,982	\$ 2,716,028	\$ 4,103,010	\$ 1,147,244	\$ 2,805,477	\$ 3,952,721

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, 2020 and 2019

	<u>Year Ended June 30, 2020</u>			<u>Year Ended June 30, 2019</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 Support:</i>						
Contributions	\$ 576,828	\$ 207,700	\$ 784,528	\$ 426,883	\$ 307,797	\$ 734,680
Special Events						
Revenues	46,709	1,000	47,709	130,369	-	130,369
Expenses	(14,154)	-	(14,154)	(23,887)	-	(23,887)
Net	32,555	1,000	33,555	106,482	-	106,482
Contract Revenue	429,304	-	429,304	403,563	14,026	417,589
In-Kind Contributions	328,117	-	328,117	233,950	-	233,950
Other Income	3,125	-	3,125	2,765	-	2,765
	<u>1,369,929</u>	<u>208,700</u>	<u>1,578,629</u>	<u>1,173,643</u>	<u>321,823</u>	<u>1,495,466</u>
Net Assets Released from Restrictions	<u>306,410</u>	<u>(306,410)</u>	<u>-</u>	<u>420,492</u>	<u>(420,492)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,676,339</u>	<u>(97,710)</u>	<u>1,578,629</u>	<u>1,594,135</u>	<u>(98,669)</u>	<u>1,495,466</u>
<i>Expenses:</i>						
Program Services	1,453,169	-	1,453,169	1,402,327	-	1,402,327
Supporting Services:						
Management and General	126,340	-	126,340	134,325	-	134,325
Fundraising	101,730	-	101,730	87,523	-	87,523
Total Supporting Services	<u>228,070</u>	<u>-</u>	<u>228,070</u>	<u>221,848</u>	<u>-</u>	<u>221,848</u>
TOTAL EXPENSES	<u>1,681,239</u>	<u>-</u>	<u>1,681,239</u>	<u>1,624,175</u>	<u>-</u>	<u>1,624,175</u>
Decrease in Net Assets from Operating Activities	<u>(4,900)</u>	<u>(97,710)</u>	<u>(102,610)</u>	<u>(30,040)</u>	<u>(98,669)</u>	<u>(128,709)</u>
Nonoperating:						
Investment Return	32,625	8,261	40,886	24,287	91,663	115,950
Capital Contributions	-	-	-	-	-	-
Increase in Net Assets from Nonoperating Activities	<u>32,625</u>	<u>8,261</u>	<u>40,886</u>	<u>24,287</u>	<u>91,663</u>	<u>115,950</u>
Increase (Decrease) in Net Assets	27,725	(89,449)	(61,724)	(5,753)	(7,006)	(12,759)
Net Assets, Beginning of Year	<u>1,034,679</u>	<u>2,805,477</u>	<u>3,840,156</u>	<u>1,040,432</u>	<u>2,812,483</u>	<u>3,852,915</u>
NET ASSETS, END 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>

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, 2020 and 2019

	Year Ended June 30, 2020				Year Ended June 30, 2019			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Personnel Related Expenses	\$ 853,930	\$ 87,701	\$ 79,978	\$ 1,021,609	\$ 860,354	\$ 94,522	\$ 63,148	\$ 1,018,024
Professional Fee Related Expenses	54,333	16,079	-	70,412	61,368	13,971	-	75,339
Operating Expenses	50,162	14,414	21,640	86,216	52,660	15,090	24,318	92,068
Program Related Expenses	70,781	-	-	70,781	81,506	-	-	81,506
In-Kind Program Expenses	327,692	425	-	328,117	231,750	2,200	-	233,950
Volunteer and Donor Expenses	152	3	112	267	772	22	57	851
Facility Expenses	61,766	6,805	-	68,571	77,607	6,908	-	84,515
Special Event Expenses	-	-	14,154	14,154	-	-	23,887	23,887
Total Before Depreciation	1,418,816	125,427	115,884	1,660,127	1,366,017	132,713	111,410	1,610,140
Depreciation	34,353	913	-	35,266	36,310	1,612	-	37,922
Total Expenses by Function	1,453,169	126,340	115,884	1,695,393	1,402,327	134,325	111,410	1,648,062
Less: Expenses Included With Revenues on the Statements of Activities:								
Direct Costs of Special Events	-	-	(14,154)	(14,154)	-	-	(23,887)	(23,887)
	<u>\$ 1,453,169</u>	<u>\$ 126,340</u>	<u>\$ 101,730</u>	<u>\$ 1,681,239</u>	<u>\$ 1,402,327</u>	<u>\$ 134,325</u>	<u>\$ 87,523</u>	<u>\$ 1,624,175</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, 2020 and 2019

	Year Ended June 30,	
	2020	2019
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ (102,610)	\$ (12,759)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	35,266	37,922
Unrealized (Gain) Loss on Investments	13,369	(68,310)
Realized (Gain) Loss on Sale of Investments	(2,554)	3,680
Decrease/(Increase) in Accounts Receivable	(41,346)	36,517
Decrease/(Increase) in Contributions Receivable for Operating Purposes	(16,148)	12,196
Increase in Prepaid Expenses	(698)	(2,553)
Increase in Accounts Payable and Other Liabilities	15,913	9,579
Net Cash Provided (Used) by Operating Activities	(98,808)	16,272
<i><u>Cash Flows from Investing Activities:</u></i>		
Purchase of Property and Equipment	(7,500)	-
Proceeds from Sale of Investments	285,903	156,068
Purchase of Investments	(335,027)	(207,650)
Net Cash Used by Investing Activities	(56,624)	(51,582)
<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 (Decrease) in Cash and Cash Equivalents	40,668	(35,310)
Cash and Cash Equivalents, Beginning of Year	726,936	762,246
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 767,604	\$ 726,936
<i><u>Supplemental Data:</u></i>		
In-Kind Contributions (Food, Supplies, and Transportation)	\$ 328,117	\$ 233,950
In-Kind - Special Events Related	\$ 5,048	\$ 8,500
Stocks Contributed (Included in Contributions)	\$ 61,540	\$ 59,961

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, 2020 and 2019

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, 2020 and 2019

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 2020 and 2019.

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, 2020 and 2019

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, 2020 and 2019

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

Income Taxes

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

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for fiscal year 2020 and 2019.

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, 2020 were \$323,343.

Concentration of Grants

Approximately 22% and 21% of the Organization's support for the year ended June 30, 2020 and 2019, 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 \$940 and \$2,583 for the years ended June 30, 2020 and 2019, respectively.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 will meet the eligibility criteria for full forgiveness of the Loan. For this reason, the Organization has 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.

Adoption of New Accounting Standards

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that affect the Organization's revenue recognition, as noted below. The Updates became effective for fiscal years beginning after December 15, 2018. However, with the ongoing COVID-19 global pandemic, FASB deferred the effective date of ASU No. 2014-09 (Topic 606) to fiscal years beginning after December 15, 2019. The Organization has elected to implement each Update during the fiscal year ended June 30, 2020 and both Updates were retrospectively applied to the fiscal year ended June 30, 2019.

The Organization has adopted the provisions of ASU 2014-09 Not-for-Profit Entities (Topic 606): *Revenue from Contracts with Customers* and all subsequent amendments to the ASU, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

The Organization has also adopted the provisions of ASU 2018-08 Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

The Organization's revenues from government grants and contracts, and contributions are outside the scope of ASC 606. The Organization has determined that the implementation of the Updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments. Refer to *Revenue from Contracts with Customers* within the *Nature of Activities and Summary of Significant Accounting Policies* (Note 1), for further discussion of the Organization's accounting policies for revenue sources within the scope of ASC 606.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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,	
	2020	2019
<i>Without Donor Restrictions:</i>		
Cash and Cash Equivalents	\$ 742,724	\$ 667,464
Accounts Receivable	73,614	25,255
Contributions Receivable	6,054	3,406
Long-Term Investments	537,057	425,559
	1,359,449	1,121,684
Less: Designated for Operating Reserve	(393,668)	(364,377)
	\$ 965,781	\$ 757,307

The Organization is supported mainly by contributions and contract revenues. The Organization believes that funding from contract revenues and contributions along with the assets held at June 30, 2020, is sufficient to enable the Organization to continue to operate for the upcoming year. Additionally, the Organization has access to a \$150,000 line of credit which it could draw upon to meet cash needs and 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, 2020 and 2019 are summarized as follows:

	June 30, 2020		June 30, 2019	
	Cost	Market	Cost	Market
Money Market Funds	\$ 23,181	\$ 23,181	\$ 45,960	\$ 45,960
Mutual Funds	1,977,031	2,130,250	1,901,804	2,069,162
	\$ 2,000,212	\$ 2,153,431	\$ 1,947,764	\$ 2,115,122

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

3. Investments (Continued)

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2020 and 2019.

	June 30,	
	2020	2019
Interest and Dividends	\$ 62,311	\$ 61,207
Realized Gains (Losses)	2,269	(3,343)
Unrealized Gains (Losses)	(13,369)	68,310
Fees	(10,633)	(9,960)
Investment Return - Long Term		
Investments	\$ 40,578	\$ 116,214
Interest/Dividend Income from Operations	23	73
Realized Gain (Loss) on Donated		
Stocks Sold	285	(337)
Investment Return Reported		
on Statement of Activities	\$ 40,886	\$ 115,950

4. Contributions Receivable

Contributions receivable as of June 30, 2020 and 2019 are as follows:

	June 30,	
	2020	2019
Due in less than one year	\$ 45,054	\$ 28,906
Due in one to five years	-	-
Total Contributions Receivable	45,054	28,906
Less: Allowance for uncollectibles	4,000	4,000
Net Contributions Receivable	\$ 41,054	\$ 24,906

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

5. Property and Equipment

Property and equipment as of June 30, 2020 and 2019 consist of the following:

	June 30,			
	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Land	\$ -	\$ 237,300	\$ -	\$ 237,300
Building	7,500	1,152,644	-	1,152,644
Leasehold Improvements	53,894	-	53,894	-
Furniture, Fixtures and Equipment	114,629	-	114,629	-
Equipment Deposit	-	-	-	-
	176,023	1,389,944	168,523	1,389,944
Less: Accumulated Depreciation	165,348	391,056	159,123	362,015
	\$ 10,675	\$ 998,888	\$ 9,400	\$ 1,027,929

Depreciation charged to expense was \$35,266 and \$37,922 for the years ended June 30, 2020 and 2019, 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 31, 2021. As of June 30, 2020 and 2019 there was no outstanding balance.

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, which were \$115 per month until March 2019, and are now \$124 per month. Total expense for the years ended June 30, 2020 and 2019 was \$11,688 and \$11,616, respectively. The Organization expects to continue leasing this space, at a minimum, through June 30, 2021. 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, 2020 and 2019, respectively.

Minimum lease payments under these leases are as follows:

Year ending June 30,	
2021	\$ 9,540
2022	2,385
	\$ 11,925

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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. Given the deferred nature of the payments and possibility of forgiveness, the loan has been reported as a non-current liability.

9. Net Assets

Net Assets With Donor Restrictions

For the years ended June 30, 2020 and 2019, net assets with donor restrictions net asset activity consisted of the following:

	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
Success Academy	-	-	-	-
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
Assist	-	-	-	-
Ferry Street Building	1,027,929	-	(29,041)	998,888
Realized/Unrealized Gain and Unspent Income from Endowment	322,821	8,261	(81,450)	249,632
<i>Restricted in Perpetuity:</i>				
Endowment	1,366,742	-	-	1,366,742
	<u>\$ 2,805,477</u>	<u>\$ 216,961</u>	<u>\$ (306,410)</u>	<u>\$ 2,716,028</u>

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9. Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

	Balance July 1, 2018	Revenue	Released from Restrictions	Balance June 30, 2019
<i>Purpose Restricted:</i>				
Easton Middle School Success Program	\$ 13,500	\$ 12,500	\$ (13,500)	\$ 12,500
Sizzle	19,000	86,000	(96,000)	9,000
Pre K Early Childhood Education	2,927	51,000	(47,411)	6,516
Literacy	16,000	30,000	(17,667)	28,333
Success Academy	58,117	100,000	(158,117)	-
Simply Savory	500	-	(500)	-
FEMA	-	14,026	(6,152)	7,874
Gift Cards-Food Pantry	12,247	20,797	(16,782)	16,262
Food Pantry	3,000	7,500	(3,000)	7,500
Assist	1,000	-	(1,000)	-
Ferry Street Building	1,056,972	-	(29,043)	1,027,929
Realized/Unrealized Gain and Unspent Income from Endowment	262,478	91,663	(31,320)	322,821
<i>Restricted in Perpetuity:</i>				
Endowment	<u>1,366,742</u>	<u>-</u>	<u>-</u>	<u>1,366,742</u>
	<u>\$ 2,812,483</u>	<u>\$ 413,486</u>	<u>\$ (420,492)</u>	<u>\$ 2,805,477</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 target amount to be attained and maintained for the reserve is 25% of annual operating expenses or about three months of expenses on average. At June 30, 2020 and 2019, the board designated operating reserve fund balances were \$393,668 and \$364,377, respectively.

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.

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10. Endowment Fund (Continued)

Endowment Return Objectives, Risk Parameters and Strategies

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

Spending Policy

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

As of June 30, 2020 and 2019, total endowment composition by net assets class is:

	2020		2019	
	With Donor Restrictions	Total	With Donor Restrictions	Total
Donor-Restricted Endowment				
Purpose and Time Restricted	\$ 249,632	\$ 249,632	\$ 322,821	\$ 322,821
Restricted in Perpetuity	1,366,742	1,366,742	1,366,742	1,366,742
Endowment Net Assets, June 30,	<u>\$ 1,616,374</u>	<u>\$ 1,616,374</u>	<u>\$ 1,689,563</u>	<u>\$ 1,689,563</u>
	2020		2019	
	With Donor Restrictions	Total	With Donor Restrictions	Total
Endowment Net Assets, July 1,	\$ 1,689,563	\$ 1,689,563	\$ 1,629,220	\$ 1,629,220
Contributions	-	-	-	-
Investment Income	46,483	46,483	47,022	47,022
Net Appreciation (Depreciation)	(38,222)	(38,222)	44,641	44,641
Amounts Released for Operations	(81,450)	(81,450)	(31,320)	(31,320)
Endowment Net Assets, June 30,	<u>\$ 1,616,374</u>	<u>\$ 1,616,374</u>	<u>\$ 1,689,563</u>	<u>\$ 1,689,563</u>

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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.

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, 2020.

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

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11. Fair Value Measurements (Continued)

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, 2020 and 2019:

	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
Total Assets at Fair Value	\$2,153,431	\$ -	\$ -	\$2,153,431

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11. Fair Value Measurements (Continued)

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 45,960	\$ -	\$ -	\$ 45,960
Investments - Mutual Funds				
Bond Funds:				
Intermediate-term Bond	700,272	-	-	700,272
Nontraditional Bond	172,524	-	-	172,524
Ultrashort Bond	19,775	-	-	19,775
Equity Funds:				
Foreign Large Blend	147,698	-	-	147,698
Foreign Large Growth	25,191	-	-	25,191
Foreign Large Value	138,010	-	-	138,010
Large Blend	579,650	-	-	579,650
Small Growth	72,512	-	-	72,512
Small Value	62,952	-	-	62,952
World Allocation	150,578	-	-	150,578
Total Assets at Fair Value	\$2,115,122	\$ -	\$ -	\$2,115,122

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.

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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, 2020 and 2019, amounted to \$9,626 and \$11,407, respectively and discretionary contributions amounted to \$-0- and \$15,000 for June 30, 2020 and 2019, respectively.

14. Subsequent Events

Management has evaluated subsequent events through May 10, 2021, 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, 2020 may not necessarily be indicative of the amounts that could be realized in a current market exchange.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 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 continue to occur subsequent to year end.