

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

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

June 30, 2019

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, 2019 and 2018, 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, 2019 and 2018, 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

February 26, 2020

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

| | <u>June 30, 2019</u> | | | <u>June 30, 2018</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> |
| - ASSETS - | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 667,464 | \$ 59,472 | \$ 726,936 | \$ 668,455 | \$ 93,791 | \$ 762,246 |
| Accounts Receivable | 25,255 | 7,013 | 32,268 | 68,785 | - | 68,785 |
| Contributions Receivable (Note 4) | 3,406 | 21,500 | 24,906 | 4,602 | 32,500 | 37,102 |
| Prepaid Expenses | 16,160 | - | 16,160 | 13,607 | - | 13,607 |
| Total Current Assets | 712,285 | 87,985 | 800,270 | 755,449 | 126,291 | 881,740 |
| Long-Term Investments (Note 3 and 8) | 425,559 | 1,689,563 | 2,115,122 | 369,689 | 1,629,220 | 1,998,909 |
| Property and Equipment, Net (Note 5) | 9,400 | 1,027,929 | 1,037,329 | 18,280 | 1,056,972 | 1,075,252 |
| TOTAL ASSETS | <u>\$ 1,147,244</u> | <u>\$ 2,805,477</u> | <u>\$ 3,952,721</u> | <u>\$ 1,143,418</u> | <u>\$ 2,812,483</u> | <u>\$ 3,955,901</u> |
| - LIABILITIES AND NET ASSETS - | | | | | | |
| Current Liabilities: | | | | | | |
| Line of Credit (Note 6) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable and Accrued Expenses | 42,856 | - | 42,856 | 36,170 | - | 36,170 |
| Payroll and Related Accruals | 69,709 | - | 69,709 | 66,816 | - | 66,816 |
| Total Current Liabilities | 112,565 | - | 112,565 | 102,986 | - | 102,986 |
| Total Liabilities | 112,565 | - | 112,565 | 102,986 | - | 102,986 |
| - NET ASSETS - | | | | | | |
| Undesignated | 660,902 | - | 660,902 | 683,274 | - | 683,274 |
| Board Designated-Operating Reserve | 364,377 | - | 364,377 | 338,878 | - | 338,878 |
| Invested in Property and Equipment | 9,400 | 1,027,929 | 1,037,329 | 18,280 | 1,056,972 | 1,075,252 |
| With Donor Restrictions (Note 8) | - | 1,777,548 | 1,777,548 | - | 1,755,511 | 1,755,511 |
| Total Net Assets | 1,034,679 | 2,805,477 | 3,840,156 | 1,040,432 | 2,812,483 | 3,852,915 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,147,244</u> | <u>\$ 2,805,477</u> | <u>\$ 3,952,721</u> | <u>\$ 1,143,418</u> | <u>\$ 2,812,483</u> | <u>\$ 3,955,901</u> |

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, 2019 and 2018

| | <u>Year Ended June 30, 2019</u> | | | <u>Year Ended June 30, 2018</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> |
| <i>Revenues, Gains and Support:</i> | | | | | | |
| Contributions | \$ 426,883 | \$ 307,797 | \$ 734,680 | \$ 685,858 | \$ 244,664 | \$ 930,522 |
| Special Events | | | | | | |
| Revenues | 130,369 | - | 130,369 | 49,055 | 500 | 49,555 |
| Expenses | <u>(23,887)</u> | <u>-</u> | <u>(23,887)</u> | <u>(15,628)</u> | <u>-</u> | <u>(15,628)</u> |
| Net | 106,482 | - | 106,482 | 33,427 | 500 | 33,927 |
| Contract Revenue | 403,563 | 14,026 | 417,589 | 575,155 | - | 575,155 |
| In-Kind Contributions | 233,950 | - | 233,950 | 244,482 | - | 244,482 |
| Investment Return | 24,287 | 91,663 | 115,950 | 1,762 | 90,998 | 92,760 |
| Other Income | <u>2,765</u> | <u>-</u> | <u>2,765</u> | <u>2,756</u> | <u>-</u> | <u>2,756</u> |
| | 1,197,930 | 413,486 | 1,611,416 | 1,543,440 | 336,162 | 1,879,602 |
| Net Assets Released from Restrictions | <u>420,492</u> | <u>(420,492)</u> | <u>-</u> | <u>305,198</u> | <u>(305,198)</u> | <u>-</u> |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | <u>1,618,422</u> | <u>(7,006)</u> | <u>1,611,416</u> | <u>1,848,638</u> | <u>30,964</u> | <u>1,879,602</u> |
| <i>Expenses:</i> | | | | | | |
| Program Services | <u>1,402,327</u> | <u>-</u> | <u>1,402,327</u> | <u>1,340,051</u> | <u>-</u> | <u>1,340,051</u> |
| Supporting Services: | | | | | | |
| Management and General | 134,325 | - | 134,325 | 111,046 | - | 111,046 |
| Fundraising | <u>87,523</u> | <u>-</u> | <u>87,523</u> | <u>99,659</u> | <u>-</u> | <u>99,659</u> |
| Total Supporting Services | <u>221,848</u> | <u>-</u> | <u>221,848</u> | <u>210,705</u> | <u>-</u> | <u>210,705</u> |
| TOTAL EXPENSES | <u>1,624,175</u> | <u>-</u> | <u>1,624,175</u> | <u>1,550,756</u> | <u>-</u> | <u>1,550,756</u> |
| Change in Net Assets | <u>(5,753)</u> | <u>(7,006)</u> | <u>(12,759)</u> | <u>297,882</u> | <u>30,964</u> | <u>328,846</u> |
| Net Assets, Beginning of Year | <u>1,040,432</u> | <u>2,812,483</u> | <u>3,852,915</u> | <u>742,550</u> | <u>2,781,519</u> | <u>3,524,069</u> |
| NET ASSETS, END 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> |

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, 2019 and 2018

| | <u>Year Ended June 30, 2019</u> | | | | <u>Year Ended June 30, 2018</u> | | | |
|-----------------------------------|---------------------------------|---------------------------|------------------|---------------------|---------------------------------|---------------------------|------------------|---------------------|
| | Program Services | Supporting Services | | | Program Services | Supporting Services | | |
| | | Management and General | Fundraising | Total | | Management and General | Fundraising | Total |
| Personnel Related Expenses | \$ 860,354 | \$ 94,522 | \$ 63,148 | \$ 1,018,024 | \$ 780,401 | \$ 71,980 | \$ 71,617 | \$ 923,998 |
| Professional Fee Related Expenses | 61,368 | 13,971 | - | 75,339 | 70,827 | 17,920 | 13,246 | 101,993 |
| Operating Expenses | 52,660 | 15,090 | 24,318 | 92,068 | 51,778 | 13,531 | 14,475 | 79,784 |
| Program Related Expenses | 81,506 | - | - | 81,506 | 81,460 | - | - | 81,460 |
| In-Kind Program Expenses | 231,750 | 2,200 | - | 233,950 | 244,482 | - | - | 244,482 |
| Volunteer and Donor Expenses | 772 | 22 | 57 | 851 | 298 | 245 | 321 | 864 |
| Facility Expenses | 77,607 | 6,908 | - | 84,515 | 71,941 | 5,546 | - | 77,487 |
| Total Before Depreciation | 1,366,017 | 132,713 | 87,523 | 1,586,253 | 1,301,187 | 109,222 | 99,659 | 1,510,068 |
| Depreciation | 36,310 | 1,612 | - | 37,922 | 38,864 | 1,824 | - | 40,688 |
| TOTAL EXPENSES | \$ 1,402,327 | \$ 134,325 | \$ 87,523 | \$ 1,624,175 | \$ 1,340,051 | \$ 111,046 | \$ 99,659 | \$ 1,550,756 |

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, 2019 and 2018

| | Year Ended June 30, | |
|---|---------------------|-------------------|
| | 2019 | 2018 |
| <i><u>Cash Flows from Operating Activities:</u></i> | | |
| Change in Net Assets | \$ (12,759) | \$ 328,846 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 37,922 | 40,688 |
| Unrealized Gain on Investments | (68,310) | (54,605) |
| Realized Loss (Gain) on Sale of Investments | 3,680 | (1,716) |
| Decrease/(Increase) in Accounts Receivable | 36,517 | (12,147) |
| Decrease/(Increase) in Contributions Receivable for Operating Purposes | 12,196 | 6,422 |
| Decrease/(Increase) in Prepaid Expenses | (2,553) | 1,293 |
| Increase in Accounts Payable and Other Liabilities | 9,579 | 5,711 |
| Net Cash Provided by Operating Activities | 16,272 | 314,492 |
| <i><u>Cash Flows from Investing Activities:</u></i> | | |
| Proceeds from Sale of Investments | 156,068 | 234,320 |
| Purchase of Investments | (207,650) | (299,928) |
| Net Cash Used by Investing Activities | (51,582) | (65,608) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (35,310) | 248,884 |
| Cash and Cash Equivalents, Beginning of Year | 762,246 | 513,362 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 726,936 | \$ 762,246 |
| <i><u>Supplemental Data:</u></i> | | |
| Noncash Contributions | \$ 233,950 | \$ 267,254 |
| Stocks Contributed | \$ 59,961 | \$ 80,581 |

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, 2019 and 2018

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, 2019 and 2018

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

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, 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 2019 and 2018.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Accounts Receivable

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

Investments

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

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

Property and Equipment

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

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

Routine repairs and maintenance costs are expensed as incurred.

Donated Materials and Services

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

Income Taxes

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

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for fiscal year 2019 and 2018.

The Organization files its 990 with the United States Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the 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, 2019 were \$433,497.

Concentration of Grants

Approximately 26% of the Organization's support for the year ended June 30, 2019 came from government grants. Approximately 25% of the support came from government grants in 2018.

Advertising Costs

Advertising costs are expensed as incurred and charged to programs and/or management and general based on the nature of the expense. Total advertising expense was \$2,583 and \$2,245 for the years ended June 30, 2019 and 2018, respectively.

New Accounting Pronouncement

The Organization has adopted the provisions of ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* effective fiscal year ended June 30, 2019. In August 2016, FASB issued the above standard with the stated purpose of improving financial reporting by not-for-profit entities (NFP). Among other provisions, ASU No. 2016-14 reduces the number of net asset classes from three to two, requires the presentation of expenses by both natural and functional classifications, enhances disclosures on liquidity, and eliminates the requirement to prepare a reconciliation in the Statement of Cash Flows when applying the direct method. It also revises the definition of certain terms. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization elected to adopt ASU No. 2016-14 for the year ending June 30, 2019 and it was applied retrospectively to the year ending June 30, 2018.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

New Accounting Pronouncement (Continued)

The changes have the following effect on net assets at June 30, 2018:

| | As Originally Presented | After Adoption of ASU 2016-14 |
|---------------------------------------|----------------------------|-------------------------------------|
| Unrestricted Net Assets | \$ 1,040,432 | \$ - |
| Temporarily Restricted Net Assets | 1,445,741 | - |
| Permanently Restricted Net Assets | 1,366,742 | - |
| Net Assets Without Donor Restrictions | - | 1,040,432 |
| Net Assets With Donor Restrictions | - | 2,812,483 |
| | <u>\$ 3,852,915</u> | <u>\$ 3,852,915</u> |

Reclassifications

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current year financial statements. The reclassifications have no effect on the changes in net assets for the prior year.

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, | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| <i>Without Donor Restrictions:</i> | | |
| Cash and Cash Equivalents | \$ 667,464 | \$ 668,455 |
| Accounts Receivable | 25,255 | 68,785 |
| Contributions Receivable | 3,406 | 4,602 |
| Long-Term Investments | 425,559 | 369,689 |
| | <u>1,121,684</u> | <u>1,111,531</u> |
| Less: Designated for Operating Reserve | <u>(364,377)</u> | <u>(338,878)</u> |
| | <u>\$ 757,307</u> | <u>\$ 772,653</u> |

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 along with the assets held at June 30, 2019, 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 8).

3. Investments

Investments as of June 30, 2019 and 2018 are summarized as follows:

| | June 30, 2019 | | June 30, 2018 | |
|--------------------|---------------|--------------|---------------|--------------|
| | Cost | Market | Cost | Market |
| Money Market Funds | \$ 45,960 | \$ 45,960 | \$ 54,263 | \$ 54,263 |
| Mutual Funds | 1,901,804 | 2,069,162 | 1,848,013 | 1,944,646 |
| | \$ 1,947,764 | \$ 2,115,122 | \$ 1,902,276 | \$ 1,998,909 |

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2019 and 2018.

| | June 30, | |
|--|------------|-----------|
| | 2019 | 2018 |
| Interest and Dividends | \$ 61,207 | \$ 47,951 |
| Realized Gains (Losses) | (3,343) | 1,716 |
| Unrealized Gains | 68,310 | 54,605 |
| Fees | (9,960) | (9,683) |
| Investment Return - Long Term | | |
| Investments | \$ 116,214 | \$ 94,589 |
| Interest/Dividend Income from Operations | 73 | 195 |
| Realized (Loss)/Gain on Donated | | |
| Stocks Sold | (337) | (2,024) |
| Investment Return Reported | | |
| on Statement of Activities | \$ 115,950 | \$ 92,760 |

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4. Contributions Receivable

Contributions receivable as of June 30, 2019 and 2018 are as follows:

| | June 30, | |
|--|---------------|---------------|
| | 2019 | 2018 |
| Due in less than one year | \$ 28,906 | \$ 41,102 |
| Due in one to five years | - | - |
| Total Contributions Receivable | 28,906 | 41,102 |
| Less: Allowance for uncollectibles | 4,000 | 4,000 |
| Net Contributions Receivable | \$ 24,906 | \$ 37,102 |

5. Property and Equipment

Property and equipment as of June 30, 2019 and 2018 consist of the following:

| | June 30, | | | |
|-----------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | 2019 | | 2018 | |
| | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions |
| Land | \$ - | \$ 237,300 | \$ - | \$ 237,300 |
| Building | - | 1,152,644 | - | 1,152,644 |
| Leasehold Improvements | 53,894 | - | 53,894 | - |
| Furniture, Fixtures and Equipment | 114,629 | - | 114,629 | - |
| Equipment Deposit | - | - | - | - |
| | 168,523 | 1,389,944 | 168,523 | 1,389,944 |
| Less: Accumulated Depreciation | 159,123 | 362,015 | 150,243 | 332,972 |
| | \$ 9,400 | \$ 1,027,929 | \$ 18,280 | \$ 1,056,972 |

Depreciation charged to expense was \$37,922 and \$40,688 for the years ended June 30, 2019 and 2018, respectively. See Note 11 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, 2020. As of June 30, 2019 and 2018 there was no outstanding balance.

PROJECT OF EASTON, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 has been \$965 per month and the total expense for the years ended June 30, 2019 and 2018 was \$11,580. The Organization expects to continue leasing this space, at a minimum, through June 30, 2020. The Organization also leases office equipment under long-term operating lease agreements. Operating lease expense was \$6,180 and \$12,316 for the years ended June 30, 2019 and 2018, respectively.

Minimum lease payments under these leases are as follows:

| Year ending June 30, | | |
|----------------------|-----------|---------------|
| 2020 | \$ | 9,918 |
| 2021 | | 9,540 |
| 2022 | | <u>2,385</u> |
| | <u>\$</u> | <u>21,843</u> |

8. Net Assets

Net Assets With Donor Restrictions

For the years ended June 30, 2019 and 2018, net assets with donor restrictions net asset activity consisted of the following:

| | 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> |

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8. Net Assets With Donor Restrictions (Continued)

| | Balance July 1, 2017 | Revenue | Released from Restrictions | Balance June 30, 2018 |
|---|-------------------------|-------------------|-------------------------------|--------------------------|
| <i>Purpose Restricted:</i> | | | | |
| Easton Middle School Success Program | \$ 12,500 | \$ 13,500 | \$ (12,500) | \$ 13,500 |
| Sizzle | 22,421 | 70,000 | (73,421) | 19,000 |
| Pre K Early Childhood Education | 21,357 | 27,000 | (45,430) | 2,927 |
| Literacy | 17,500 | 16,000 | (17,500) | 16,000 |
| Success Academy | 50,000 | 100,000 | (91,883) | 58,117 |
| Simply Savory | 750 | 500 | (750) | 500 |
| FEMA | 2,034 | - | (2,034) | - |
| Gift Cards-Food Pantry | - | 14,164 | (1,917) | 12,247 |
| Food Pantry | - | 3,000 | - | 3,000 |
| Assist | - | 1,000 | - | 1,000 |
| Ferry Street Building | 1,086,015 | - | (29,043) | 1,056,972 |
| Realized/Unrealized Gain and Unspent Income from Endowment | 202,200 | 90,998 | (30,720) | 262,478 |
| <i>Restricted in Perpetuity:</i> | | | | |
| Endowment | <u>1,366,742</u> | <u>-</u> | <u>-</u> | <u>1,366,742</u> |
| | <u>\$ 2,781,519</u> | <u>\$ 336,162</u> | <u>\$ (305,198)</u> | <u>\$ 2,812,483</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, 2019 and 2018, the board designated operating reserve fund balances were \$364,377 and \$338,878, respectively.

9. 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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9. 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, 2019 and 2018, total endowment composition by net assets class is:

| | 2019 | | 2018 | |
|---------------------------------|----------------------------|---------------------|----------------------------|---------------------|
| | With Donor Restrictions | Total | With Donor Restrictions | Total |
| Donor-Restricted Endowment | | | | |
| Purpose and Time Restricted | \$ 322,821 | \$ 322,821 | \$ 262,478 | \$ 262,478 |
| Restricted in Perpetuity | 1,366,742 | 1,366,742 | 1,366,742 | 1,366,742 |
| Endowment Net Assets, June 30, | <u>\$ 1,689,563</u> | <u>\$ 1,689,563</u> | <u>\$ 1,629,220</u> | <u>\$ 1,629,220</u> |
| | | | | |
| | 2019 | | 2018 | |
| | With Donor Restrictions | Total | With Donor Restrictions | Total |
| Endowment Net Assets, July 1, | \$ 1,629,220 | \$ 1,629,220 | \$ 1,568,942 | \$ 1,568,942 |
| Contributions | - | - | - | - |
| Investment Income | 47,022 | 47,022 | 32,240 | 32,240 |
| Net Appreciation | 44,641 | 44,641 | 58,758 | 58,758 |
| Amounts Released for Operations | (31,320) | (31,320) | (30,720) | (30,720) |
| Endowment Net Assets, June 30, | <u>\$ 1,689,563</u> | <u>\$ 1,689,563</u> | <u>\$ 1,629,220</u> | <u>\$ 1,629,220</u> |

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10. 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, 2019.

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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10. 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.

There were no transfers between Level 1, Level 2, and Level 3 investments in 2019 and 2018. Transfers are recognized at the end of the reporting period.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and 2018:

| | 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: | | | | |
| High Yield Bond | - | - | - | - |
| Intermediate-term Bond | 700,272 | - | - | 700,272 |
| Nontraditional Bond | 172,524 | - | - | 172,524 |
| Short-term Bond | - | - | - | - |
| 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 |
| Multialternative | - | - | - | - |
| Options-Based | - | - | - | - |
| 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 |

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10. Fair Value Measurements (Continued)

| | Assets at Fair Value as of June 30, 2018 | | | |
|--------------------------------|--|----------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market Funds | \$ 54,263 | \$ - | \$ - | \$ 54,263 |
| Investments - Mutual Funds | | | | |
| Bond Funds: | | | | |
| High Yield Bond | - | - | - | - |
| Intermediate-term Bond | 646,403 | - | - | 646,403 |
| Nontraditional Bond | 63,687 | - | - | 63,687 |
| Short-term Bond | 19,653 | - | - | 19,653 |
| Equity Funds: | | | | |
| Foreign Large Blend | 145,954 | - | - | 145,954 |
| Foreign Large Growth | 20,190 | - | - | 20,190 |
| Foreign Large Value | 142,862 | - | - | 142,862 |
| Large Blend | 530,466 | - | - | 530,466 |
| Multialternative | 68,126 | - | - | 68,126 |
| Options-Based | 70,536 | - | - | 70,536 |
| Small Growth | 63,298 | - | - | 63,298 |
| Small Value | 61,127 | - | - | 61,127 |
| World Allocation | 112,344 | - | - | 112,344 |
| Total Assets at Fair Value | \$ 1,998,909 | \$ - | \$ - | \$ 1,998,909 |

11. Commitments and Contingencies

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

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12. 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, 2019 and 2018, amounted to \$11,407 and \$8,326, respectively and discretionary contributions amounted to \$15,000 for both years.

13. Subsequent Events

Management has evaluated subsequent events through February 26, 2020, which is the date the financial statements were available to be issued. No subsequent events have occurred that require recognition or disclosure.

Investments are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investment will occur in the near term. Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of the investments at June 30, 2019 may not necessarily be indicative of the amounts that could be realized in a current market exchange.