

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

**Financial Statements and  
Independent Auditors' Report**

**June 30, 2015**

**CAMPBELL, RAPPOLD & YURASITS LLP**  
Certified Public Accountants  
1033 SOUTH CEDAR CREST BOULEVARD  
ALLENTOWN, PA 18103

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

---

	<b>Page(s)</b>
<b>Independent Auditors' Report</b>	1 - 2
<u><i>Financial Statements:</i></u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17



CAMPBELL, RAPPOLD & YURASITS LLP

Certified Public Accountants

1033 SOUTH CEDAR CREST BOULEVARD ALLENTOWN, PA 18103-5443  
PHONE (610) 435-7489 FAX (610) 435-8794 www.crycpas.com

JAMES S. ANDERSON, CPA  
TARA L. BENDER, CPA, CSEP  
JAMES F. BOVA, CPA  
MARC A. BRINKER, CPA  
MELISSA A. GRUBE, CPA, CSEP  
DENNIS S. HELLER, CPA  
WARREN R. HENDERSON, CPA  
JOHN R. ZAYAITZ, CPA

DAWN C. ANDERSON, CPA  
MICHELLE R. BITNER, CPA  
ROXANNA M. BRANDLE, CPA  
KYLE ELSENBAUMER, CPA  
PAUL G. MACK, CPA, CFE  
NICHOLAS A. OTTOLINI, CPA  
JASON L. SERFASS, CPA  
HEIDI D. WOJCIECHOWSKI, CPA

CONSULTANT  
LUTHER R. CAMPBELL, JR.

## INDEPENDENT AUDITORS' 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 nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

### Auditors' 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, 2015 and 2014, 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 & Yamasita LLP*

Certified Public Accountants  
Allentown, PA

February 25, 2016

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

	June 30, 2015				June 30, 2014			
- ASSETS -	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current Assets:								
Cash and Cash Equivalents	\$ 447,243	\$ -	\$ -	\$ 447,243	\$ 417,075	\$ 63,437	\$ -	\$ 480,512
Accounts Receivable	58,517	-	-	58,517	34,101	-	-	34,101
Contributions Receivable (Note 3)	29,986	39,780	10,150	79,916	30,905	-	20,150	51,055
Prepaid Expenses	14,689	-	-	14,689	17,754	-	-	17,754
Total Current Assets	550,435	39,780	10,150	600,365	499,835	63,437	20,150	583,422
Long-Term Investments (Note 2)	90,000	221,516	1,316,592	1,628,108	79,150	255,368	1,266,592	1,601,110
Property and Equipment, (Note 4)	34,836	1,144,100	-	1,178,936	34,133	1,173,143	-	1,207,276
<b>TOTAL ASSETS</b>	<b>\$ 675,271</b>	<b>\$ 1,405,396</b>	<b>\$ 1,326,742</b>	<b>\$ 3,407,409</b>	<b>\$ 613,118</b>	<b>\$ 1,491,948</b>	<b>\$ 1,286,742</b>	<b>\$ 3,391,808</b>
- LIABILITIES AND NET ASSETS -								
Current Liabilities:								
Line of Credit (Note 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	6,122	-	-	6,122	16,025	-	-	16,025
Payroll & Related Accruals	25,554	-	-	25,554	23,761	-	-	23,761
Total Current Liabilities	31,676	-	-	31,676	39,786	-	-	39,786
Total Liabilities	31,676	-	-	31,676	39,786	-	-	39,786
- NET ASSETS -								
Undesignated	608,759	-	-	608,759	539,199	-	-	539,199
Invested in Property & Equipment	34,836	1,144,100	-	1,178,936	34,133	1,173,143	-	1,207,276
Temporarily Restricted (Note 7)	-	261,296	-	261,296	-	318,805	-	318,805
Permanently Restricted (Note 7)	-	-	1,326,742	1,326,742	-	-	1,286,742	1,286,742
Total Net Assets	643,595	1,405,396	1,326,742	3,375,733	573,332	1,491,948	1,286,742	3,352,022
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 675,271</b>	<b>\$ 1,405,396</b>	<b>\$ 1,326,742</b>	<b>\$ 3,407,409</b>	<b>\$ 613,118</b>	<b>\$ 1,491,948</b>	<b>\$ 1,286,742</b>	<b>\$ 3,391,808</b>

See notes to financial statements.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2015 and 2014**

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Revenues, Gains and Support:</i>								
Contributions	\$ 334,977	\$ 196,147	\$ 40,000	\$ 571,124	\$ 264,247	\$ 267,208	\$ 12,900	\$ 544,355
Special Events (Net of direct costs totaling \$16,062 and \$45,162)	44,243	-	-	44,243	159,526	-	-	159,526
Government Grants and Contracts	575,921	16,185	-	592,106	520,804	-	-	520,804
In-Kind Contributions	352,596	-	-	352,596	211,692	-	-	211,692
Investment Return	920	36,178	-	37,098	(36)	197,700	-	197,664
Miscellaneous	-	-	-	-	14	-	-	14
	<u>1,308,657</u>	<u>248,510</u>	<u>40,000</u>	<u>1,597,167</u>	<u>1,156,247</u>	<u>464,908</u>	<u>12,900</u>	<u>1,634,055</u>
Net Assets Released from Restrictions	<u>335,062</u>	<u>(335,062)</u>	<u>-</u>	<u>-</u>	<u>403,098</u>	<u>(403,098)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,643,719</u>	<u>(86,552)</u>	<u>40,000</u>	<u>1,597,167</u>	<u>1,559,345</u>	<u>61,810</u>	<u>12,900</u>	<u>1,634,055</u>
<i>Expenses:</i>								
Program Services	1,366,944	-	-	1,366,944	1,134,010	-	-	1,134,010
Supporting Services:								
Management and General	125,428	-	-	125,428	132,522	-	-	132,522
Fundraising	81,084	-	-	81,084	55,702	-	-	55,702
Total Supporting Services	<u>206,512</u>	<u>-</u>	<u>-</u>	<u>206,512</u>	<u>188,224</u>	<u>-</u>	<u>-</u>	<u>188,224</u>
TOTAL EXPENSES	<u>1,573,456</u>	<u>-</u>	<u>-</u>	<u>1,573,456</u>	<u>1,322,234</u>	<u>-</u>	<u>-</u>	<u>1,322,234</u>
Change in Net Assets	<u>70,263</u>	<u>(86,552)</u>	<u>40,000</u>	<u>23,711</u>	<u>237,111</u>	<u>61,810</u>	<u>12,900</u>	<u>311,821</u>
Net Assets, Beginning of Year	<u>573,332</u>	<u>1,491,948</u>	<u>1,286,742</u>	<u>3,352,022</u>	<u>336,221</u>	<u>1,430,138</u>	<u>1,273,842</u>	<u>3,040,201</u>
NET ASSETS, END OF YEAR	<u>\$ 643,595</u>	<u>\$ 1,405,396</u>	<u>\$ 1,326,742</u>	<u>\$ 3,375,733</u>	<u>\$ 573,332</u>	<u>\$ 1,491,948</u>	<u>\$ 1,286,742</u>	<u>\$ 3,352,022</u>

See notes to financial statements.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2015 and 2014**

	<b>Year Ended June 30, 2015</b>				<b>Year Ended June 30, 2014</b>			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Management & General	Fundraising			Management & General	Fundraising	
Personnel Related Expenses	\$ 735,678	\$ 93,864	\$ 61,538	\$ 891,080	\$ 681,257	\$ 90,553	\$ 41,422	\$ 813,232
Professional Fee Related Expenses	52,526	10,634	1,967	65,127	25,011	11,584	301	36,896
Operating Expenses	55,714	13,554	13,458	82,726	66,082	15,394	12,948	94,424
Program Related Expenses	70,178	155	-	70,333	91,779	-	-	91,779
In-Kind Supplies	342,427	-	3,402	345,829	183,371	3,485	-	186,856
Miscellaneous	485	123	13	621	579	250	38	867
Facility Expenses	70,716	5,498	547	76,761	51,079	7,558	927	59,564
Total Before Depreciation	1,327,724	123,828	80,925	1,532,477	1,099,158	128,824	55,636	1,283,618
Depreciation	39,220	1,600	159	40,979	34,852	3,698	66	38,616
<b>TOTAL EXPENSES</b>	<b>\$ 1,366,944</b>	<b>\$ 125,428</b>	<b>\$ 81,084</b>	<b>\$ 1,573,456</b>	<b>\$ 1,134,010</b>	<b>\$ 132,522</b>	<b>\$ 55,702</b>	<b>\$ 1,322,234</b>

See notes to financial statements.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2015 and 2014**

	Year Ended June 30,	
	2015	2014
<i><u>Cash Flows from Operating Activities:</u></i>		
Change in Net Assets	\$ 23,711	\$ 311,821
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	40,979	38,616
Unrealized Loss/(Gain) Loss on Investments	49,611	(111,952)
Realized Loss/(Gain) On Sale of Investments	(23,364)	(41,087)
Contributions Restricted for Endowment	(40,000)	(12,900)
Decrease/(Increase) in Accounts Receivable	(24,416)	34,293
Decrease/(Increase) in Contributions Receivable for Operating Purposes	(38,861)	(3,459)
Decrease/(Increase) in Prepaid Expenses	3,065	(11,933)
Increase/(Decrease) in Accounts Payable and Other Liabilities	(8,110)	5,630
Net Cash Provided (Used) by Operating Activities	(17,385)	209,029
<i><u>Cash Flows from Investing Activities:</u></i>		
Capital Purchases	(12,639)	(12,304)
Proceeds from Sale of Investments	285,205	385,520
Purchase of Investments	(338,450)	(430,153)
Net Cash Used by Investing Activities	(65,884)	(56,937)
<i><u>Cash Flows from Financing Activities:</u></i>		
Cash Received Restricted for Endowment	50,000	10,850
Net Cash Provided by Financing Activities	50,000	10,850
Net Increase (Decrease) in Cash and Cash Equivalents	(33,269)	162,942
Cash and Cash Equivalents, Beginning of Year	480,512	317,570
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 447,243	\$ 480,512
<i><u>Supplemental Data:</u></i>		
Noncash Contributions	\$ 365,192	\$ 211,692

See notes to financial statements.



**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**1. Summary of Significant Accounting Policies**

*Nature of Activities*

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

*Basis of Presentation*

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

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

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

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

*Investments*

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

*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.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**1. 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.

*Contributions*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Management reviews contribution receivable balances for collectibility based on aging of the pledges. An allowance of \$4,000 was deemed adequate by management for 2015 and 2014.

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.

*Property and Equipment*

The Organization capitalizes property and equipment with an original cost over \$500. Property and equipment is stated at cost or at estimated fair value at the date of gift. Depreciation is provided using the straight-line method over the estimated lives of the assets, which range from three to forty years. Routine repairs and maintenance costs are expensed as incurred.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*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.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**1. Summary of Significant Accounting Policies (Continued)**

*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 recorded as liabilities for fiscal year 2015 or 2014.

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 2011.

*Concentrations 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. The Organization had uninsured amounts of approximately \$177,000 at June 30, 2015. While the Organization maintains cash balances which may exceed federally insured limits, it historically has not experienced any credit-related losses.

*Concentration of Grants*

Approximately 29% of the Organization's support for the year ended June 30, 2015 came from government grants. 27% of the support came from government grants in 2014.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**1. Summary of Significant Accounting Policies (Continued)**

*Fair Values of Financial Instruments*

The fair values of financial instruments have been determined through quoted market prices or present value techniques to approximate the amounts recorded in the statement of financial position.

*Advertising Costs*

Advertising costs consist primarily of classified advertising for employment purposes. 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 \$4,904 and \$4,810 for the years ended June 30, 2015 and 2014, respectively.

**2. Investments**

Investments as of June 30, 2015 and 2014 are summarized as follows:

	June 30, 2015		June 30, 2014	
	Cost	Market	Cost	Market
Money Market Funds	\$ 3,439	\$ 3,439	\$ 50,524	\$ 50,524
Mutual Funds	1,425,750	1,624,669	1,335,151	1,550,586
	<u>\$ 1,429,189</u>	<u>\$ 1,628,108</u>	<u>\$ 1,385,675</u>	<u>\$ 1,601,110</u>

The following schedule summarized the investment return and its classification in the statements of activities for the year ended June 30, 2015 and 2014.

	June 30,	
	2015	2014
	Temporarily Restricted	Temporarily Restricted
Interest and Dividends	\$ 62,395	\$ 44,633
Realized Gains	23,364	41,087
Unrealized Gains (losses)	<u>(49,611)</u>	<u>111,952</u>
Total Investment Return	<u>\$ 36,148</u>	<u>\$ 197,672</u>

Fees on investments totaled \$8,205 and \$7,527 for the years ended June 30, 2015 and 2014 respectively. Additional interest earned on savings accounts totaled \$151 and \$110 for the years ended June 30, 2015 and 2014, respectively. There was also a gain of \$799 related to the sale of donated stock in 2015 and a loss of \$120 in 2014.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**3. Contributions Receivable**

Contributions receivable as of June 30, 2015 and 2014 are as follows:

	June 30,	
	2015	2014
Due in less than one year	\$ 83,916	\$ 55,055
Due in one to five years	-	-
Total Contributions Receivable	83,916	55,055
Less: Allowance for uncollectibles	4,000	4,000
Net Contributions Receivable	<u>\$ 79,916</u>	<u>\$ 51,055</u>

**4. Property and Equipment**

Property and equipment as of June 30, 2015 and 2014 consist of the following:

	June 30,			
	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Land	\$ -	\$ 237,300	\$ -	\$ 237,300
Building	-	1,152,644	-	1,152,644
Leasehold Improvements	54,194	-	54,194	-
Furniture, Fixtures & Equipment	93,122	-	96,631	-
	147,316	1,389,944	150,825	1,389,944
Less: Accumulated Depreciation	112,480	245,844	116,692	216,801
	<u>\$ 34,836</u>	<u>\$ 1,144,100</u>	<u>\$ 34,133</u>	<u>\$ 1,173,143</u>

Depreciation charged to expense was \$40,979 and \$38,616 for the years ended June 30, 2015 and 2014, respectively. See Note 10 regarding the temporarily restricted portion of Property and Equipment.

**5. Line of Credit**

The Organization has an unsecured bank line of credit available up to a maximum credit limit of \$150,000, due on demand. Expires December 31, 2017. As of June 30, 2015 and 2014 there was no outstanding balance.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**6. Leases**

The Organization leases property at 320 Ferry Street, Easton, PA from St. John's Lutheran church for general operating purposes. The lease term was renewed for 1 year and extends through June 30, 2016 and requires payments of \$965 per month. Rent expense for this lease was \$10,200 and \$10,200 for the years ended June 30, 2015 and 2014, respectively. The Organization also leases office equipment under long-term operating lease agreements. Operating lease expense was \$11,518 and \$18,543 for the years ended June 30, 2015 and 2014, respectively.

Minimum lease payments under these leases are as follows:

Year ending June 30,	
2016	\$ 24,145
2017	<u>3,237</u>
	<u>\$ 27,382</u>

**7. Restricted Net Assets**

For the years ended June 30, 2015 and 2014, temporarily restricted net asset activity consisted of the following:

	Balance July 1, 2014	Revenue	Released from Restrictions	Balance June 30, 2015
Building Campaign	\$ 20,612	\$ 30	\$ (20,642)	\$ -
Easton Middle School Success Program	15,000	60,827	(60,827)	15,000
Sizzle	18,842	68,346	(75,359)	11,829
Pre K Early Childhood Education	8,983	66,974	(75,957)	-
FEMA	-	16,185	(3,234)	12,951
Ferry Street Building	1,173,143	-	(29,043)	1,144,100
Realized/Unrealized Gain and Unspent Income from Endowment	<u>255,368</u>	<u>36,148</u>	<u>(70,000)</u>	<u>221,516</u>
	<u>\$ 1,491,948</u>	<u>\$ 248,510</u>	<u>\$ (335,062)</u>	<u>\$ 1,405,396</u>

	Balance July 1, 2013	Revenue	Released from Restrictions	Balance June 30, 2014
Building Campaign	\$ 28,574	\$ 29	\$ (7,991)	\$ 20,612
Easton Middle School Success Program	16,194	85,393	(86,587)	15,000
Sizzle	19,121	108,186	(108,465)	18,842
Pre K Early Childhood Education	8,367	73,628	(73,012)	8,983
United Way-Women's Leadership	12,090	-	(12,090)	-
Ferry Street Building	1,198,096	-	(24,953)	1,173,143
Realized/Unrealized Gain and Unspent Income from Endowment	<u>147,696</u>	<u>197,672</u>	<u>(90,000)</u>	<u>255,368</u>
	<u>\$ 1,430,138</u>	<u>\$ 464,908</u>	<u>\$ (403,098)</u>	<u>\$ 1,491,948</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the programs of the Organization. Permanently restricted net assets totaled \$1,326,742 at June 30, 2015 and \$1,286,742 at June 30, 2014.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**8. Endowment Fund**

The Organization's endowment consists of one fund established for the purpose of supporting programs, services, and building operations of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

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

*Endowment Return Objectives, Risk Parameters and Strategies*

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

*Spending Policy*

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

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**8. Endowment Fund (Continued)**

The composition of net assets and the changes in endowment net assets as of June 30, 2015 and 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ 255,368	\$ 1,286,742	\$ 1,542,110
Contributions	-	40,000	40,000
Investment income	62,395	-	62,395
Net (depreciation)/appreciation	(26,247)	-	(26,247)
Amounts released for operations	(70,000)	-	(70,000)
Endowment net assets, June 30, 2015	<u>\$ 221,516</u>	<u>\$ 1,326,742</u>	<u>\$ 1,548,258</u>

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	\$ 147,696	\$ 1,273,842	\$ 1,421,538
Contributions	-	12,900	12,900
Investment income	44,633	-	44,633
Net (depreciation)/appreciation	153,039	-	153,039
Amounts released for operations	(90,000)	-	(90,000)
Endowment net assets, June 30, 2014	<u>\$ 255,368</u>	<u>\$ 1,286,742</u>	<u>\$ 1,542,110</u>

**9. Fair Value Measurements**

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

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



**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

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

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015.

*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.

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015 and 2014:

Assets at Fair Value as of June 30, 2015				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 3,439	\$ -	\$ -	\$ 3,439
Investments - Mutual Funds				
Debt funds	502,053	-	-	502,053
Equity funds	1,122,616	-	-	1,122,616
Total Assets at Fair Value	<u>\$ 1,628,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,628,108</u>

  

Assets at Fair Value as of June 30, 2014				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 50,523	\$ -	\$ -	\$ 50,523
Investments - Mutual Funds				
Debt funds	548,291	-	-	548,291
Equity funds	1,002,296	-	-	1,002,296
Total Assets at Fair Value	<u>\$ 1,601,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,601,110</u>

**10. Commitments and Contingencies**

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

**PROJECT OF EASTON, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

---

**11. Retirement Plan**

The Organization has a defined benefit plan for all eligible employees under the provisions of Section 403(b) of the Internal Revenue Code. Under the plan, employees can enter into salary reduction agreements with the Organization. Employees may contribute 2% of their salary and the Organization will match 1% of the salary up to \$350 per calendar year. The employer contributions under the plan amounted to \$1,977 and \$1,521 for the years ended June 30, 2015 and 2014, respectively.

**12. Reclassifications**

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

**13. Subsequent Events**

Management has evaluated subsequent events through February 25, 2016, which is the date the financial statements were available to be issued.