

Prison Policy Initiative, Inc.
Financial Statements
June 30, 2016

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Nolan, Calcasola & CO., P.C.
Certified Public Accountants

Independent Accountant's Review Report

To the Board of Directors
Prison Policy Initiative, Inc.

We have reviewed the accompanying financial statements of Prison Policy Initiative, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO., P.C.

East Longmeadow, Massachusetts
December 27, 2016

Prison Policy Initiative, Inc.
Statement of Financial Position
June 30, 2016

Assets

Current Assets:

Cash and Cash Equivalents	\$	239,585
Certificate of Deposit		<u>203,043</u>

Total Current Assets **442,628**

Equipment (net of accumulated depreciation of \$13,819) 12,673

Total Assets \$ 455,301

Liabilities and Net Assets

Current Liabilities:

Accrued Payroll Liabilities	\$	7,083
Accrued Expenses		<u>1,024</u>

Total Current Liabilities **8,107**

Net Assets:

Unrestricted		285,694
Temporarily Restricted		<u>161,500</u>

Total Net Assets **447,194**

Total Liabilities and Net Assets \$ 455,301

Prison Policy Initiative, Inc.
Statement of Activities
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Grants		\$ 227,000	\$ 227,000
Contributions	91,920		91,920
Administrative Income	48,289		48,289
Interest Income	2,583		2,583
Honoraria	2,450		2,450
Net Assets Released from Restrictions			
Satisfaction of Programs Restrictions	<u>217,720</u>	<u>(217,720)</u>	<u>-</u>
Total Revenue and Support	362,962	9,280	372,242
Expenses:			
Program Expenses	245,643		245,643
Fundraising Expenses	27,503		27,503
Management and General	22,031		22,031
Total Expenses	295,177		295,177
 Change In Net Assets	 67,785	 9,280	 77,065
Net assets at Beginning of Year	<u>217,909</u>	<u>152,220</u>	<u>370,129</u>
Net Assets at End of Year	<u>\$ 285,694</u>	<u>\$ 161,500</u>	<u>\$ 447,194</u>

Prison Policy Initiative, Inc.
Statement of Cash Flows
Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows Provided (Used) by Operating Activities

Change in Net Assets **\$ 77,065**

Adjustments to reconcile change in net cash provided (used) by operating activities:

Depreciation	4,654
Increase (Decrease) in Current Liabilities	<u>2,125</u>

Net Cash Flows Provided (Used) by Operating Activities **83,844**

Cash Flows Provided (Used) by Investing Activities

(Increase) Decrease in Certificate of Deposit	(2,098)
(Increase) Decrease in Equipment	<u>(3,891)</u>

Net Cash Flows Provided (Used) by Investing Activities **(5,989)**

Net Increase (Decrease) in Cash and Cash Equivalents **77,855**

Cash and Cash Equivalents at Beginning of Year 161,730

Cash and Cash Equivalents at End of Year **\$ 239,585**

Supplementary Information:

Interest Paid	<u>\$ -</u>
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Prison Policy Initiative, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 194,413	\$ 20,480	\$ 9,272	\$ 224,165
Payroll Taxes	15,903	1,675	759	18,337
Occupancy	8,329	1,666	1,110	11,105
Employee Benefits	5,741	605	274	6,620
Consultants	6,014	-	-	6,014
Supplies	5,383	-	-	5,383
Telephone and Internet	3,735	747	498	4,980
Depreciation	-	-	4,654	4,654
Travel	2,267	453	303	3,023
Postage and Shipping	1,753	351	233	2,337
Insurance	-	-	2,046	2,046
Promotional Expense	-	1,437	-	1,437
Accounting Fees	-	-	1,300	1,300
Dues	-	-	872	872
Staff Development	840	-	-	840
Printing and Copying	443	89	59	591
Research Tools	590	-	-	590
Bank Charges	-	-	489	489
Work Study	232	-	-	232
Taxes	-	-	162	162
Total Expenses	<u>\$ 245,643</u>	<u>\$ 27,503</u>	<u>\$ 22,031</u>	<u>\$ 295,177</u>

1. Organization and Purpose

Prison Policy Initiative, Inc. (the Corporation) was incorporated under Chapter 180 of the general laws of the Commonwealth of Massachusetts. The purpose of the Corporation is to use strategic research, advocacy and organizing to show how over-criminalization and mass incarceration harm individuals and undermine our communities and national well-being.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with the generally accepted accounting principles. The Corporation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation, currently, has unrestricted net assets and temporarily restricted assets.

Revenues

The Corporation is funded through contributions and grants. The Corporation has no formal fund-raising program and does not plan to employ professional fund-raisers.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are valued at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Additions and renewals, unless minor in amount, are capitalized. Expenditures for maintenance, repairs and minor renewals are expensed in the period incurred. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all unrestricted highly liquid accounts to be cash with maturities less than three months.

Common Expenses

Common operating expenses are allocated to programs based on estimated time spent.

Publicity and Promotions

The Corporation uses publicity and promotion to promote its programs. Such costs are expensed as incurred. The amount of publicity and promotion expense for the year ended June 30, 2016 was \$1,437

2. Summary of Significant Accounting Policies (continued)

Shipping and Handling

Shipping and handling costs are expensed in the period in which they are incurred. The amount of shipping and handling expense for the year ended June 30, 2016 was \$2,337

3. Concentrations

Credit

The Corporation maintains its cash balances at various financial institutions located in Western Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the period, the cash balances may exceed the insured amount. The Corporation has not experienced any losses on these accounts.

Funding

The Corporation receives funding from a variety of sources including of grantors and contributors. Loss of such funding could have a material effect on the continuing operation of the Corporation.

Geographic Region

The Corporation operates in the Springfield, Massachusetts area. Any downturn in the local economy could affect the ability of the Corporation to get public support.

4. Federal Income Tax Status

The Corporation is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code of 1954, as amended ("Code Section"), as an organization described in Section 501(c)(3).

5. Net Assets

The Corporation recognizes contributions received during the year as unrestricted support if there are no restrictions relating to time or manner of use. If there are restrictions as to time or manner of use such contributions are classified as temporarily restricted support. If there are restrictions that stipulate that resources be maintained permanently but allows the Corporation to use part or all of the income such contributions are classified as permanently restricted support. Board designations of contributions received are not classified as restricted since the Board may reverse such designations.

6. Temporarily Restricted Assets

Temporarily restricted assets as of June 30, 2016 were \$161,500.

7. Equipment

The Corporation has equipment of \$26,492 and related accumulated depreciation of \$13,819 for net book value of \$12,673. The depreciation is computed using straight line depreciation over the asset's estimated useful life with no salvage value. The depreciation deduction for the year ended June 30, 2016 was \$4,654.

8. Compensated Absences

The Corporation has not accrued compensated absences because the amount cannot be reasonably estimated. Management feels that this amount is immaterial to the financial statements taken as a whole.

9. Retirement Plan

The Corporation maintains a SIMPLE plan for all of its employees who meet certain minimum length of service and age requirements. The Corporation matches up to 3% of the employee's salary deferral. The employees can make a salary deferral election within the prescribed rules of the Internal Revenue Code. The Corporation contributed \$6,620 to employee SIMPLE accounts for the year ended June 30, 2016.

10. Income Taxes

On July 1, 2010 the Corporation adopted the recognition requirements for uncertain income tax provisions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon the examination by the taxing authorities. The Corporation has analyzed tax positions taken for the filing with the Internal Revenue Service and all jurisdictions where it operates. The Corporation believes that the income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect in financial condition, results of operations or cash flows. Therefore, the Corporation has not recorded any reserves or related accruals for interest and penalties at June 30, 2016.

The Corporation is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for tax years prior to 2013.

The Corporation's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

11. Subsequent Events

The Corporation did not have any recognized or non-recognized subsequent events after June 30, 2016, the date of the statement of financial position. Subsequent events have been evaluated through December 27, 2016, the date the financial statements were issued.