

Prison Policy Initiative, Inc.
Financial Statements
June 30, 2017

Prison Policy Initiative, Inc.

Financial Statements

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

Independent Auditor's Report

To the Board of Directors
Prison Policy Initiative, Inc.

We have audited the accompanying financial statements of Prison Policy Initiative, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Prison Policy Initiative, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO., P.C.

East Longmeadow, Massachusetts
December 20, 2017

Prison Policy Initiative, Inc.
Statement of Financial Position
June 30, 2017

Assets

Current Assets:

Cash and Cash Equivalents \$ 812,703

Total Current Assets 812,703

Equipment (net of accumulated depreciation of \$17,495) 8,997

Total Assets **\$ 821,700**

Liabilities and Net Assets

Current Liabilities:

Accrued Expenses 1,766

Total Current Liabilities 1,766

Net Assets:

Unrestricted 637,434

Temporarily Restricted 182,500

Total Net Assets 819,934

Total Liabilities and Net Assets **\$ 821,700**

Prison Policy Initiative, Inc.
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Grants	\$ -	\$ 594,000	\$ 594,000
Contributions	129,927	-	129,927
Administrative Income	32,500	-	32,500
Honoraria	3,750	-	3,750
Interest Income	2,221	-	2,221
Net Assets Released from Restrictions			
Satisfaction of Programs Restrictions	<u>573,000</u>	<u>(573,000)</u>	<u>-</u>
Total Revenue and Support	741,398	21,000	762,398
Expenses:			
Program Expenses	313,836	-	313,836
Fundraising Expenses	47,123	-	47,123
Management and General	30,856	-	30,856
Total Expenses	391,815	-	391,815
Change In Net Assets	349,583	21,000	370,583
Prior Period Adjustment	2,157	-	2,157
Net Assets at Beginning of Year	<u>285,694</u>	<u>161,500</u>	<u>447,194</u>
Net Assets at End of Year	<u>\$ 637,434</u>	<u>\$ 182,500</u>	<u>\$ 819,934</u>

Prison Policy Initiative, Inc.
Statement of Cash Flows
Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows Provided (Used) by Operating Activities

Change in Net Assets **\$ 370,583**

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

Depreciation	3,676
Increase (Decrease) in Current Liabilities	<u>(6,341)</u>

Net Cash Flows Provided (Used) by Operating Activities	367,918
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Cash Flows Provided (Used) by Investing Activities

(Increase) Decrease in Certificate of Deposit	<u>203,043</u>
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Net Cash Flows Provided (Used) by Investing Activities	<u>203,043</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	570,961
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Cash and Cash Equivalents at Beginning of Year	239,585
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Prior Period Adjustment	<u>2,157</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 812,703</u></u>
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Supplementary Information:

Interest Paid	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>

Prison Policy Initiative, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Expenses:				
Salaries	\$ 247,218	\$ 36,296	\$ 18,335	\$ 301,849
Payroll Taxes	19,963	2,931	1,480	24,374
Occupancy	9,454	1,891	1,260	12,605
Consultants	11,140	-	-	11,140
Employee Benefits	7,401	1,087	548	9,036
Supplies	6,368	-	-	6,368
Telephone and Internet	3,866	773	516	5,155
Depreciation	-	-	3,676	3,676
Travel	2,642	528	352	3,522
Promotional Expense	-	3,098	-	3,098
Postage and Shipping	2,302	460	307	3,069
Computer Supplies	2,725	-	-	2,725
Insurance	-	-	2,067	2,067
Accounting Fees	-	-	1,350	1,350
Research Tools	461	-	-	461
Bank Charges	-	-	421	421
Printing and Copying	296	59	40	395
Dues	-	-	360	360
Taxes	-	-	144	144
Total Expenses	<u>\$ 313,836</u>	<u>\$ 47,123</u>	<u>\$ 30,856</u>	<u>\$ 391,815</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, 2017 was \$3,098.

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, 2017 was \$3,069.

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, 2017 were \$182,500, which included the following programs; the national criminal justice research project, the prison gerrymandering project, and the driver's license restoration project.

7. Equipment

The Corporation has equipment of \$26,492 and related accumulated depreciation of \$17,495 for net book value of \$8,997. 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, 2017 was \$3,676.

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 \$9,036 to employee SIMPLE accounts for the year ended June 30, 2017.

10. Income Taxes

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 2014.

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

11. Prior Period Adjustment

The prior period adjustment made in year ended June 30, 2017 was \$2,157. This relates to accounts payable that were overstated in prior years.

11. Subsequent Events

The Corporation did not have any recognized or non-recognized subsequent events after June 30, 2017, the date of the statement of financial position. Subsequent events have been evaluated through January 3, 2017, the date the financial statements were available to be issued.