

Prison Policy Initiative, Inc.
Financial Statements
June 30, 2019

Prison Policy Initiative, Inc.

Financial Statements

June 30, 2019

Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-9

Nolan , Calcasola & CO., P.C.

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Prison Policy Initiative, Inc.

Report on the Financial Statements

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, 2019, 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, 2019, 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
June 10, 2020

Prison Policy Initiative, Inc.
Statement of Financial Position
June 30, 2019

Assets

Current Assets:

Cash and Cash Equivalents	\$	906,346
Certificate of Deposit		713,388
Grant Receivable		15,175

Total Current Assets 1,634,909

Equipment (net of accumulated depreciation of \$23,690) 2,802

Total Assets \$ 1,637,711

Liabilities and Net Assets

Current Liabilities:

Accrued Expenses		12,388
------------------	--	--------

Total Current Liabilities 12,388

Net Assets:

Without Donor Restrictions		1,371,990
With Donor Restictions		253,333

Total Net Assets 1,625,323

Total Liabilities and Net Assets \$ 1,637,711

Prison Policy Initiative, Inc.
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenue and Support:			
Foundations	\$ -	\$ 868,500	\$ 868,500
Contributions	268,021	-	268,021
Administrative Income	22,900	-	22,900
Interest Income	14,196	-	14,196
Honoraria	1,050	-	1,050
Net Assets Released from Restrictions			
Satisfaction of Programs Restrictions	709,760	(709,760)	0
Total Revenue and Support	1,015,927	158,740	1,174,667
Expenses:			
Program Expenses	466,695	-	466,695
Fundraising Expenses	80,236	-	80,236
Management and General	55,651	-	55,651
Total Expenses	602,582	-	602,582
Change In Net Assets	413,345	158,740	572,085
Net Assets at Beginning of Year	958,645	94,593	1,053,238
Net Assets at End of Year	\$ 1,371,990	\$ 253,333	\$ 1,625,323

Prison Policy Initiative, Inc.
Statement of Cash Flows
Year Ended June 30, 2019

Cash Flows From Operating Activities

Change in Net Assets **\$ 572,085**

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

Depreciation	2,735
(Increase) Decrease in Accounts Receivable	59,825
Increase (Decrease) in Current Liabilities	<u>10,162</u>

Net Cash Flows Provided Operating Activities 644,807

Cash Flows Provided From Investing Activities

(Increase) Decrease in Certificate of Deposit	<u>(411,757)</u>
---	------------------

Net Cash Flows Used by Investing Activities (411,757)

Net Increase in Cash and Cash Equivalents 233,050

Cash and Cash Equivalents at Beginning of Year 673,296

Cash and Cash Equivalents at End of Year **\$ 906,346**

Supplementary Information:

Interest Paid	<u>\$ 104</u>
---------------	---------------

Prison Policy Initiative, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Programs</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Expenses:				
Salaries	\$ 360,401	\$ 67,115	\$ 40,605	\$ 468,121
Payroll Taxes	28,837	5,370	3,249	37,456
Consultants	32,753	-	-	32,753
Occupancy	9,192	1,838	1,226	12,256
Employee Benefits	9,201	1,713	1,037	11,951
Computer Supplies	7,360	-	-	7,360
Travel	4,592	919	613	6,124
Supplies	5,633	-	-	5,633
Telephone and Internet	4,148	830	553	5,531
Postage and Shipping	2,359	472	315	3,146
Depreciation	-	-	2,735	2,735
Insurance	-	-	2,251	2,251
Promotional Expense	-	1,857	-	1,857
Accounting Fees	-	-	1,503	1,503
Staff Development	1,122	-	-	1,122
Taxes and Licenses	-	-	518	518
Bank Charges	-	-	500	500
Research Tools	488	-	-	488
Printing and Copying	347	69	45	461
Dues	-	-	362	362
Legal Costs	187	38	25	250
Interest Expense	-	-	104	104
Miscellaneous	75	15	10	100
Total Expenses	<u>\$ 466,695</u>	<u>\$ 80,236</u>	<u>\$ 55,651</u>	<u>\$ 602,582</u>

See auditor's report and notes to the financial statements.

1. Nature of Activities

Prison Policy Initiative, Inc. (the Organization) was incorporated under Chapter 180 of the general laws of the Commonwealth of Massachusetts. The purpose of the Organization 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 Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid accounts to be cash with an initial maturity of three months or less to be cash equivalents.

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.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose which is not consumed in the current period because an event has not occurred or the expiration of time has not occurred.

Promotional Costs

The Organization expenses promotional costs as incurred.

Shipping and Handling

The Organization expenses Shipping and handling costs as incurred.

Property and Equipment

Property and equipment are valued at cost if purchased, and at fair market value if donated. 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.

2. Summary of Significant Accounting Policies (continued)

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

3. Concentrations

Credit

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

Funding

The Organization 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 Organization.

Geographic Region

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

4. Federal Income Tax Status

The Organization 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 Organization 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 net assets with donor restrictions. If there are restrictions that stipulate that resources be maintained permanently but allows the Organization 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. Net Assets with Donor Restrictions

Net assets with donor restrictions are \$253,333 as of June 30, 2019, which included the following programs; the national criminal justice research project, the jails project and the prison gerrymandering project.

7. Equipment

The Organization has equipment of \$26,492 and related accumulated depreciation of \$23,690 for net book value of \$2,802. 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, 2019 was \$2,735.

8. Grant Receivable

The grant receivable as of June 30, 2019 was received on July 1, 2019. Therefore, no allowance for an uncollectable amount was calculated.

9. Compensated Absences

The Organization 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.

10. Retirement Plan

The Organization maintains a SIMPLE plan for all of its employees who meet certain minimum length of service and age requirements. The Organization 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 Organization contributed \$11,951 to employee SIMPLE accounts for the year ended June 30, 2019.

11. Income Taxes

The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for tax years prior to 2016

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

