

***Prison Policy Initiative, Inc.***  
***Financial Statements***  
***June 30, 2021***

**Prison Policy Initiative, Inc.**

*Financial Statements*

*June 30, 2021*

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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.

**Opinion**

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, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

**Basis of Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prison Policy Initiative, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Policy Initiative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Prison Policy Initiative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Policy Initiative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Nolan, Calcasola & CO., P.C.*

East Longmeadow, Massachusetts  
February 15, 2022

**Prison Policy Initiative, Inc.**  
**Statement of Financial Position**  
**June 30, 2021**

**Assets**

Current Assets:

|   |                                   |
|---|-----------------------------------|
| Cash and Cash Equivalents                               | \$ 3,346,293                      |
| Certificate of Deposit                                  | <u>1,040,994</u>                  |
| Total Current Assets                                    | 4,387,287                         |
| Equipment (net of accumulated depreciation of \$26,492) | <u>-</u>                          |
| <b>Total Assets</b>                                     | <b><u><u>\$ 4,387,287</u></u></b> |

**Liabilities and Net Assets**

Current Liabilities:

|                             |              |
|-----------------------------|--------------|
| Accrued Payroll Liabilities | 6,003        |
| Credit Card Payable         | <u>580</u>   |
| Total Current Liabilities   | <u>6,583</u> |

**Net Assets:**

|   |                                   |
|---|-----------------------------------|
| Without Donor Restrictions              | 4,377,704                         |
| With Donor Restrictions                 | <u>3,000</u>                      |
| Total Net Assets                        | <u>4,380,704</u>                  |
| <b>Total Liabilities and Net Assets</b> | <b><u><u>\$ 4,387,287</u></u></b> |

**Prison Policy Initiative, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2021**

|                                       | Without<br>Donor Restriction | With<br>Donor Restriction | Total               |
|---------------------------------------|------------------------------|---------------------------|---------------------|
| <b>Revenue and Support:</b>           |                              |                           |                     |
| Foundations                           | \$ 2,300,000                 | \$ 316,000                | \$ 2,616,000        |
| Direct Public Support                 | 619,225                      |                           | 619,225             |
| Grant Payroll Protection Program      | 97,528                       |                           | 97,528              |
| Administrative Income                 | 30,000                       |                           | 30,000              |
| Interest Income                       | 29,589                       |                           | 29,589              |
| Honoraria                             | 2,250                        |                           | 2,250               |
| <b>Revenue and Support</b>            | <b>3,078,592</b>             | <b>316,000</b>            | <b>3,394,592</b>    |
| Net Assets Released from Restrictions | 330,917                      | (330,917)                 |                     |
| Satisfaction of Program Restrictions  |                              |                           | -                   |
| <b>Total Revenue and Support</b>      | <b>3,409,509</b>             | <b>(14,917)</b>           | <b>3,394,592</b>    |
| <b>Expenses:</b>                      |                              |                           |                     |
| Program Expenses                      | 910,838                      | -                         | 910,838             |
| Fundraising Expenses                  | 139,179                      | -                         | 139,179             |
| Administrative Expenses               | 75,208                       | -                         | 75,208              |
| <b>Total Expenses</b>                 | <b>1,125,225</b>             | <b>-</b>                  | <b>1,125,225</b>    |
| Change In Net Assets                  | 2,284,284                    | (14,917)                  | 2,269,367           |
| Net Assets at Beginning of Year       | 2,093,420                    | 17,917                    | 2,111,337           |
| <b>Net Assets at End of Year</b>      | <b>\$ 4,377,704</b>          | <b>\$ 3,000</b>           | <b>\$ 4,380,704</b> |

*Prison Policy Initiative, Inc.*  
*Statement of Cash Flows*  
*Year Ended June 30, 2021*

***Cash Flows From Operating Activities***

Change in Net Assets **\$ 2,269,367**

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

Increase (Decrease) in Current Liabilities (6,645)

***Net Cash Flows Provided from Operating Activities*** 2,262,722

***Cash Flows Provided from Investing Activities***

(Increase) Decrease in Certificate of Deposit 386,491

***Net Cash Flows Used by Investing Activities*** 386,491

***Cash Flows Provided from Financing Activities***

Refundable Advance (97,528)

***Net Cash Flows Provided from Financing Activities*** (97,528)

Net Increase in Cash and Cash Equivalents 2,551,685

Cash and Cash Equivalents at Beginning of Year 794,608

***Cash and Cash Equivalents at End of Year*** **\$ 3,346,293**

***Supplementary Information:***

Interest Paid **\$ 44**

*Prison Policy Initiative, Inc.*  
*Statement of Functional Expenses*  
*Year Ended June 30, 2021*

|                       | <u>Programs</u>          | <u>Fund Raising</u>      | <u>Administrative</u>   | <u>Total</u>               |
|-----------------------|--------------------------|--------------------------|-------------------------|----------------------------|
| <b>Expenses:</b>      |                          |                          |                         |                            |
| Salaries              | \$ 724,555               | \$ 117,740               | \$ 63,399               | \$ 905,694                 |
| Payroll Taxes         | 61,030                   | 9,917                    | 5,340                   | 76,287                     |
| Consultants           | 55,683                   | -                        | -                       | 55,683                     |
| Employee Benefits     | 20,268                   | 3,294                    | 1,773                   | 25,335                     |
| Computer Related      | 14,918                   | 2,032                    | 1,299                   | 18,249                     |
| Rent                  | 8,092                    | 1,103                    | 705                     | 9,900                      |
| Office Related        | 6,938                    | 650                      | 699                     | 8,287                      |
| Insurance             | 4,167                    | 568                      | 363                     | 5,098                      |
| Internet              | 3,399                    | 463                      | 296                     | 4,158                      |
| Telephone             | 2,650                    | 361                      | 231                     | 3,242                      |
| Postage and Shipping  | 1,191                    | 1,389                    | 198                     | 2,778                      |
| Promotional Expense   | 1,877                    | 256                      | 164                     | 2,297                      |
| Accounting            | 1,437                    | 196                      | 125                     | 1,758                      |
| Taxes and Licenses    | 1,374                    | 187                      | 120                     | 1,681                      |
| Dues                  | 1,260                    | 172                      | 110                     | 1,542                      |
| Bank Charges          | 914                      | 124                      | 80                      | 1,118                      |
| Staff Development     | 695                      | 95                       | 61                      | 851                        |
| Printing and Copying  | -                        | 581                      | 213                     | 794                        |
| Research Tools        | 354                      | 46                       | 29                      | 429                        |
| Interest Expense      | 36                       | 5                        | 3                       | 44                         |
|                       | <u>36</u>                | <u>5</u>                 | <u>3</u>                | <u>44</u>                  |
| <b>Total Expenses</b> | <b><u>\$ 910,838</u></b> | <b><u>\$ 139,179</u></b> | <b><u>\$ 75,208</u></b> | <b><u>\$ 1,125,225</u></b> |



## **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. 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. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the 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.

### **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.

## **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 those 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**

As of June 30, 2021, net assets with donor restrictions of \$3,000 are to be used for the prison gerrymandering project.

## **7. Equipment**

The Organization has equipment of \$26,492 and related accumulated depreciation of \$26,492 for net book value of \$0. Depreciation was computed using straight line depreciation over the asset's estimated useful life with no salvage value. There is no depreciation deduction for the year ended June 30, 2021.

## **8. 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.

## **9. 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 \$25,335 to employee SIMPLE accounts for the year ended June 30, 2021.

## **10. 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 2018.

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

## **11 - Fair Value of Financial Instruments**

Disclosures about fair value of financial instruments are based on pertinent information available to management as of years ended June 30, 2021. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on the disposition of the financial instruments. Investments are presented at fair market value, as determined by quoted market prices, when available.

Management has estimated cash, certificates of deposits, accounts payable and accrued expenses to be approximately their respective carrying values reported on these statements because of their short maturities.

## **12. Grant Payroll Protection Program**

The Organization during the year ended June 30, 2020 applied to the Small Business Administration and received a loan from the Payroll Protection Program for \$97,528. The Program is administered by the Small Business Administration as a result of legislation passed by Congress to ameliorate the economic effects of COVID 19. The loan was based on certain criteria (expenses) such as payroll costs, rent and utilities paid during an 8-week or 24-week period. If the stated criteria were met the loan would be forgiven. During June 30, 2020 the Organization elected to treat the loan in accordance with accounting principles generally accepted in the United States as a Refundable Advance. When the conditions of the release were met the loan would be recognized as grant income. The conditions of loan were met on December 17, 2020. Therefore, the Organization recognized in its Statement of Activities for the year ended June 30, 2021 grant income of \$97,528.

## **13. Liquidity and Availability**

The Organization has \$3,346,293 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. \$3,000 of the financial assets were subject to donor restrictions to be used for a specific purpose. The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 90 days of normal operating expense, which are, on average, approximately \$277,470. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, The Organization invests cash in excess of daily requirements in money market accounts and certificates of deposit at a local financial institution.

## **14. Related Party Transaction**

During the year ended June 30, 2021, a board member provided consulting services to the organization in connection with a program. The amount paid for the services rendered was \$1,049 which was considered at fair market value.

## **15. Subsequent Events**

The Organization did not have any recognized or non-recognized subsequent events after June 30, 2021, the date of the statement of financial position. Subsequent events have been evaluated through February 15, 2022, the date the financial statements were available to be issued.