

Prison Policy Initiative, Inc.
Financial Statements
June 30, 2013

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

Independent Accountant's Review Report

*To the Board of Directors
Prison Policy Initiative, Inc.*

We have reviewed the accompanying statement of financial position of Prison Policy Initiative, Inc. (a not for profit corporation) as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Corporation's 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO P.C.

December 4, 2013

Prison Policy Initiative, Inc.
Statement of Financial Position
June 30, 2013

Assets	
Current Assets	
Cash and cash equivalents	\$ 14,835
Cash savings	<u>156,198</u>
Total Current Assets	171,033
Equipment net of accumulated depreciation of (\$3,078)	6,109
Total Assets	<u><u>\$ 177,142</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accrued expenses	<u>4,393</u>
Total Current Liabilities	<u>4,393</u>
Net Assets	
Unrestricted	(38,778)
Temporarily restricted	<u>211,527</u>
Total Net Assets	<u>172,749</u>
Total Liabilities and Net Assets	<u><u>\$ 177,142</u></u>

See Accountant's Independent Review Report.

Prison Policy Initiative, Inc.
Statement of Activities
Year Ended June 30, 2013

Revenue and support

	Unrestricted	Temporarily Restricted	Total
Grants		\$ 163,000	\$ 163,000
Contributions	\$ 25,277		25,277
Fees	-		-
Interest income	1,657		1,657
Honoraria	4,082		4,082
	31,016	163,000	194,016
Total revenue and support			
Net assets released from restrictions	75,000	(75,000)	0
Demos			
Total revenue and support	106,016	88,000	194,016
Expenses			
Program expenses	196,684		196,684
Management and general	28,949		28,949
Fund raising expenses	25,024		25,024
	250,657		250,657
Total expense			
Change in net assets	(144,641)	88,000	(56,641)
Net assets as of beginning of year	105,863	123,527	229,390
Net assets as of end of year	\$ (38,778)	\$ 211,527	\$ 172,749

See Accountant's Independent Review Report.

**Prison Policy Initiative, Inc.
Statement of Cash Flows
Year Ended June 30, 2013**

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities

Change in net assets	\$ (56,641)
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Adjustments to reconcile change in net cash provided (used) by operating activities:

Depreciation	1,711
Decrease in liabilities	<u>(84,016)</u>

Net cash provided (used) by operating activities	(138,946)
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Cash flows from investing activities

(Increase) decrease in equipment	(1,275)
(Increase) decrease in savings	1,067
(Increase) decrease in certificate of deposit	<u>125,810</u>

Net cash provided (used) by investing activities	<u>125,602</u>
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Net increase in cash and cash equivalents	(13,344)
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Cash and cash equivalents at beginning of year	<u>28,179</u>
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Cash and cash equivalents at end of year	<u><u>\$ 14,835</u></u>
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Prison Policy Initiative, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and taxes	\$ 152,706	\$ 19,088	\$ 19,088	\$ 190,882
Payroll taxes	12,571	1,571	1,571	15,713
Employee benefits	3,600	450	450	4,500
Occupancy	2,880	360	360	3,600
Supplies	2,540			2,540
Health Insurance	-	-	-	-
Insurance		2,160		2,160
Telephone and Internet	2,969	371	371	3,711
Travel	4,000	500	500	5,000
Consultants	13,833			13,833
Printing and copying	156	20	19	195
Postage and shipping	642	80	80	802
Depreciation		1,711		1,711
Accounting fees		1,150		1,150
Promotion expense			2,585	2,585
Dues		697		697
Bank charges		651		651
Research Tools	787			787
Taxes		140		140
Total expenses	<u>\$ 196,684</u>	<u>\$ 28,949</u>	<u>\$ 25,024</u>	<u>\$ 250,657</u>

See Accountant's Independent Review Report.

Prison Policy Initiative, Inc.
Notes to Financial Statements
June 30, 2013

1. Organization and Purpose

Prison Policy Initiative, Inc. was incorporated under Chapter 180 of the general laws of the Commonwealth of Massachusetts. The purpose of the Corporation is to conduct strategic research on incarceration policy with the goal of decreasing the use of incarceration as a means of addressing social problems.

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 of 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.

Concentration of Credit Risk

The Corporation maintains various bank accounts with a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total cash at these institutions as of June 30, 2013, is \$171,033.

Prison Policy Initiative, Inc.
Notes to Financial Statements
June 30, 2013

3. 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).

4. 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 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.

5. Temporarily Restricted Assets

Temporarily restricted assets as of June 30, 2013 were \$163,000 for the Prisoners of the Census Project.

6. Related Party Transaction

During the course of the year the organization paid rent of \$3,600 to the executive director.

7. 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, 2013.

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 years prior to 2007.

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

8. Subsequent Events

The Corporation did not have any recognized or non-recognized subsequent events after June 30, 2013, the date of the statement of financial position. Subsequent events have been evaluated through December 4, 2013, the date the financial statements were issued.

9. Equipment

The Corporation has equipment of \$9,187 and related accumulated depreciation of \$3,078 for net book value of \$6,109. The depreciation is computed using straight line depreciation over the asset's estimated useful life with no salvage value. The depreciation deduction take during the year was \$1,711.