

Prison Policy Initiative, Inc.
Financial Statements
June 30, 2020

Prison Policy Initiative, Inc.

Financial Statements

June 30, 2020

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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.

Report on the Financial Statements

We have audited the accompanying statement of financial position of Prison Policy Initiative, Inc. (a nonprofit organization), as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses 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 in the first paragraph present fairly, in all material respects, the financial position of Prison Policy Initiative, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Nolan, Calcasola & CO., P.C.

East Longmeadow, Massachusetts
May 27, 2021

Prison Policy Initiative, Inc.
Statement of Financial Position
June 30, 2020

Assets

Current Assets:

Cash and Cash Equivalents	\$	794,608
Certificate of Deposit		<u>1,427,485</u>
Total Current Assets		2,222,093
Equipment (net of accumulated depreciation of \$26,492)		<u>-</u>
Total Assets	\$	<u><u>2,222,093</u></u>

Liabilities and Net Assets

Current Liabilities:

Refundable Advance PPP	\$	97,528
Accrued Payroll Liabilities		13,091
Credit Card Payable		<u>137</u>
Total Current Liabilities		<u>110,756</u>
Net Assets:		
Without Donor Restrictions		2,093,420
With Donor Restrictions		<u>17,917</u>
Total Net Assets		<u>2,111,337</u>
Total Liabilities and Net Assets	\$	<u><u>2,222,093</u></u>

Prison Policy Initiative, Inc.
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenue and Support:			
Foundations	\$ 710,000	\$ 185,000	\$ 895,000
Direct Public Support	222,738		222,738
Administrative Income	22,000		22,000
Interest Income	29,454		29,454
Honoraria	1,482		1,482
Revenue and Support	985,674	185,000	1,170,674
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	420,416	(420,416)	-
Total Revenue and Support	1,406,090	(235,416)	1,170,674
Expenses:			
Program Expenses	493,450	-	493,450
Fundraising Expenses	108,341	-	108,341
Administrative Expenses	82,869	-	82,869
Total Expenses	684,660	-	684,660
Change In Net Assets	721,430	(235,416)	486,014
Net Assets at Beginning of Year	1,371,990	253,333	1,625,323
Net Assets at End of Year	\$ 2,093,420	\$ 17,917	\$ 2,111,337

Prison Policy Initiative, Inc.
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows From Operating Activities

Change in Net Assets **\$ 486,014**

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

Depreciation	2,802
(Increase) Decrease in Accounts Receivable	15,175
Increase (Decrease) in Current Liabilities	840
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Net Cash Flows Provided from Operating Activities 504,831

Cash Flows Provided from Investing Activities

(Increase) Decrease in Certificate of Deposit	<hr/> (714,097)
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Net Cash Flows Used by Investing Activities (714,097)

Cash Flows Provided from Financing Activities

Refundable Advance	<hr/> 97,528
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Net Cash Flows Provided from Financing Activities

97,528

Net Increase in Cash and Cash Equivalents (111,738)

Cash and Cash Equivalents at Beginning of Year	<hr/> 906,346
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Cash and Cash Equivalents at End of Year **\$ 794,608**

Supplementary Information:

Interest Paid	<hr/> \$ 43
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Prison Policy Initiative, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Programs</u>	<u>Fund Raising</u>	<u>Administrative</u>	<u>Total</u>
Expenses:				
Salaries	\$ 370,732	\$ 89,224	\$ 65,300	\$ 525,256
Payroll Taxes	38,767	9,330	6,828	54,925
Consultants	25,708	-	-	25,708
Rent	10,064	2,410	1,700	14,174
Computer Related	13,881	-	-	13,881
Employee Benefits	9,109	2,499	1,933	13,541
Office Related	6,788	1,625	1,147	9,560
Travel	5,534	1,325	936	7,795
Telephone and Internet	4,883	1,169	825	6,877
Postage and Shipping	2,912	697	493	4,102
Depreciation	2,802	-	-	2,802
Insurance	-	-	2,271	2,271
Promotional Expense	1,112	-	-	1,112
Dues	-	-	787	787
Bank Charges	-	-	544	544
Research Tools	503	-	-	503
Staff Development	395	-	-	395
Printing and Copying	258	62	43	363
Interest Expense	-	-	43	43
Taxes and Licenses	-	-	19	19
Miscellaneous	2	-	-	2
Total Expenses	<u>\$ 493,450</u>	<u>\$ 108,341</u>	<u>\$ 82,869</u>	<u>\$ 684,660</u>

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.

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 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

Net assets with donor restrictions are \$17,917 as of June 30, 2020. \$15,000 is for the bail forfeiture report and \$2,917 is 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. 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, 2020 was \$2,802.

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 \$13,541 to employee SIMPLE accounts for the year ended June 30, 2020.

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 2017.

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, 2020. 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, accounts receivable, investments, accounts payable and accrued expenses to be approximately their respective carrying values reported on these statements because of their short maturities.

12. Refundable Advance PPP

The Organization during the year applied to the Small Business Administration for a loan from the Payroll Protection Program. 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 are met the loan will be forgiven. The Organization has elected to treat the loan in accordance with accounting principles generally accepted in the United States as a Refundable Advance. Once the conditions of the release have been explicitly waived the Organization will recognize contribution income in the period it is forgiven. The amount of the refundable advance is \$97,528. The conditions of loan were met in December of 2020 and the loan was forgiven in full.

13. Liquidity and Availability

The Organization has \$2,222,093 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$794,608, and certificates of deposit of \$1,427,485. \$17,917 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 \$168,820. 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 various short-term investments, including certificates of deposit.

14. Related Party Transaction

During the year ended June 30, 2020, a board member provided consulting services to the organization in connection with a program. The amount paid for the services rendered was \$2,775 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, 2020, the date of the statement of financial position. Subsequent events have been evaluated through May 28, 2021, the date the financial statements were available to be issued.