

Prison Policy Initiative, Inc.
Financial Statements
June 30, 2024

Prison Policy Initiative, Inc.

Financial Statements

June 30, 2024

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

Independent Auditor's Report

To the Board of Directors
Prison Policy Initiative, Inc.

Opinion

I 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, 2024, 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 my 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, 2024, 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

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

My 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 my 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 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 Accountant

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

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

- 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 my 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.

I am 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 I identified during the audit.

Nolan Calcasola & CO., P.C.

East Longmeadow, Massachusetts
September 27, 2024

Prison Policy Initiative, Inc.
Statement of Financial Position
June 30, 2024

Assets

Current Assets:

| | |
|---|-----------------------------------|
| Cash and Cash Equivalents | \$ 534,689 |
| Certificate of Deposit | 507,634 |
| Investments at Fair Market Value | <u>7,263,444</u> |
| Total Current Assets | 8,305,767 |
| Equipment (net of accumulated depreciation of \$26,492) | <u>-</u> |
| Total Assets | <u><u>\$ 8,305,767</u></u> |

Liabilities and Net Assets

Current Liabilities:

| | |
|-----------------------------|---------------|
| Accrued Payroll Liabilities | 13,832 |
| Credit Card Payable | <u>511</u> |
| Total Current Liabilities | <u>14,343</u> |

Net Assets:

| | |
|---|-----------------------------------|
| Without Donor Restrictions | 8,196,007 |
| With Donor Restrictions | <u>95,417</u> |
| Total Net Assets | <u>8,291,424</u> |
| Total Liabilities and Net Assets | <u><u>\$ 8,305,767</u></u> |

Prison Policy Initiative, Inc.
Statement of Activities
Year Ended June 30, 2024

| | Without Donor Restriction | With Donor Restriction | Total |
|---------------------------------------|------------------------------|---------------------------|---------------------|
| Revenue and Support: | | | |
| Foundations | \$ 3,222,000 | \$ 185,000 | \$ 3,407,000 |
| Direct Public Support | 491,164 | | 491,164 |
| Interest Income | 165,826 | | 165,826 |
| Investment Income | 101,584 | | 101,584 |
| Administrative Income | 5,000 | | 5,000 |
| Honoraria | 1,500 | | 1,500 |
| | <hr/> | <hr/> | <hr/> |
| Revenue and Support | 3,987,074 | 185,000 | 4,172,074 |
| Net Assets Released from Restrictions | 189,583 | (189,583) | - |
| | <hr/> | <hr/> | <hr/> |
| Total Revenue and Support | 4,176,657 | (4,583) | 4,172,074 |
| Expenses: | | | |
| Program Expenses | 1,528,143 | - | 1,528,143 |
| Fundraising Expenses | 100,638 | - | 100,638 |
| Administrative Expenses | 68,429 | - | 68,429 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenses | 1,697,210 | - | 1,697,210 |
| Change In Net Assets | 2,479,447 | (4,583) | 2,474,864 |
| Net Assets at Beginning of Year | 5,716,560 | 100,000 | 5,816,560 |
| | <hr/> | <hr/> | <hr/> |
| Net Assets at End of Year | \$ 8,196,007 | \$ 95,417 | \$ 8,291,424 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Prison Policy Initiative, Inc.
Statement of Cash Flows
Year Ended June 30, 2024

Cash Flows From Operating Activities

Change in Net Assets **\$ 2,474,864**

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

Increase (Decrease) in Current Liabilities (9,013)

Net Cash Flows Provided from Operating Activities 2,465,851

Cash Flows Provided from Investing Activities

(Increase) Decrease in Investments (6,764,399)

(Increase) Decrease in Certificate of Deposit 3,544,295

Net Cash Flows Used by Investing Activities (3,220,104)

Net Increase (Decrease) in Cash and Cash Equivalents (754,253)

Cash and Cash Equivalents at Beginning of Year 1,288,942

Cash and Cash Equivalents at End of Year \$ 534,689

Supplementary Information:

Interest Paid \$ -

Prison Policy Initiative, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

| | <u>Programs</u> | <u>Fund Raising</u> | <u>Adminstrative</u> | <u>Total</u> |
|-----------------------|----------------------------|--------------------------|-------------------------|----------------------------|
| Expenses: | | | | |
| Salaries | \$ 1,194,248 | \$ 90,371 | \$ 63,140 | \$ 1,347,759 |
| Consultants | 132,061 | | | 132,061 |
| Payroll Taxes | 90,220 | 6,320 | 3,452 | 99,992 |
| Employee Benefits | 34,483 | 2,595 | 1,837 | 38,915 |
| Computer Related | 14,466 | | | 14,466 |
| Rent | 12,654 | | | 12,654 |
| Travel | 7,760 | | | 7,760 |
| Accounting | 7,650 | | | 7,650 |
| Office Related | 6,480 | | | 6,480 |
| Insurance | 5,719 | | | 5,719 |
| Postage and Shipping | 4,287 | 1,352 | | 5,639 |
| Internet | 5,005 | | | 5,005 |
| Promotional Expense | 2,614 | | | 2,614 |
| Telephone | 2,597 | | | 2,597 |
| Bank Charges | 2,415 | | | 2,415 |
| Staff Development | 2,146 | | | 2,146 |
| Taxes and Licenses | 1,775 | | | 1,775 |
| Printing and Copying | 1,199 | | | 1,199 |
| Research Tools | 364 | | | 364 |
| Total Expenses | <u>\$ 1,528,143</u> | <u>\$ 100,638</u> | <u>\$ 68,429</u> | <u>\$ 1,697,210</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 for 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 at Bank of America 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 balances at Florence Savings are insured by the Federal Deposit Insurance Organization (FDIC) up to \$250,000 and amounts in excess of the FDIC limits are fully insured by Deposit Insurance Fund (DIF). Balances held at Freedom Credit Union are insured by Shared Insurance Coverage (NCUA) up to \$250,000. Shares and deposits in excess of NCUA limit are fully insured by Massachusetts Credit Union Share Insurance (MSIC).

The Organization has not experienced any losses on their accounts at these institutions.

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. 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, 2024.

6. 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.

7. Net Assets with Donor Restrictions

As of June 30, 2024, net assets with donor restrictions of \$95,417 are related to the Organization's Prison Gerrymandering Project.

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 \$38,915 to employee SIMPLE accounts for the year ended June 30, 2024.

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 2020.

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 at June 30, 2024. 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 - Investments

The Organization maintains investments with Charles Schwab.

Investments in marketable securities are stated at fair market value and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Net investment income is reflected as an increase or decrease in the unrestricted class of net assets unless donors' place restrictions on such income.

Securities are presented in the financial statements at fair value. Fair value measurements establish a fair value hierarchy. This hierarchy consists of three levels. Level one assets are valued at quoted prices in active markets for identical assets, Level two assets are valued based on observable inputs other than quoted prices in active markets and Level three assets are assets that have no observable inputs which to value such assets. All the securities of the Organization are Level one assets, valued at quoted prices in publicly traded markets for identical assets.

Fair market values as of June 30, 2024 are as follows:

| <u>Account</u> | |
|-------------------------------|---------------------|
| Charles Schwab Bank | \$ 2,793,673 |
| US Treasury Notes and Bonds | 3,134,683 |
| Other Fixed Income Securities | <u>1,335,088</u> |
| Totals | <u>\$ 7,263,444</u> |

For financial statement purposes the money market funds have been included as part of investments. The total cost basis of the investment accounts is \$7,253,358.

The investment income of \$101,584 included in the Statement of Activities consists of interest income of \$76,289, unrealized gains of \$25,225 and realized gains of \$70.

14. Liquidity and Availability

The Organization has \$8,305,767 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. \$95,417 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 \$418,490. 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.

15. Subsequent Events

The Organization did not have any recognized or non-recognized subsequent events after June 30, 2024, the date of the statement of financial position. Subsequent events have been evaluated through September 27, 2024 the date the financial statements were available to be issued.