

HUDSON LINK FOR HIGHER
EDUCATION IN PRISON, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hudson Link for Higher Education in Prison Inc.

We have audited the accompanying financial statements of Hudson Link for Higher Education in Prison Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 Hudson Link for Higher Education in Prison Inc. as of December 31, 2014, 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.

Heckler + O'Keefe CPAs P.C.
Heckler & O'Keefe, CPAs, P.C.

Armonk, NY
August 21, 2015

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	375,334
Accounts receivable		45,712
Prepaid expenses		10,308
Receivable - employee advances		4,500
TOTAL CURRENT ASSETS		435,854

PROPERTY AND EQUIPMENT

Furniture and fixtures	\$	56,738
Office equipment		4,100
Computer equipment		75,958
Computer software		14,333
Less accumulated depreciation		(71,975)
TOTAL PROPERTY AND EQUIPMENT		79,154

OTHER ASSETS

Donated assets held for alumni program		19,637
Intangible asset-website development (net of accumulated amortization, \$16,000)		14,000
Security deposit		3,170
TOTAL OTHER ASSETS		36,807

TOTAL ASSETS	\$	551,815
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	69,338
Accrued expenses		38,757
Credit card payable		7,235
Payroll taxes payable		3,132
Retirement plan payable		851
Bonus payroll accrual		30,142
TOTAL LIABILITIES		149,455

NET ASSETS

Unrestricted	\$	373,138
Temporarily restricted		29,222
TOTAL NET ASSETS		402,360

TOTAL LIABILITIES AND NET ASSETS	\$	551,815
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See accountant's report and accompanying notes to financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
STATEMENT OF SUPPORT, EXPENSES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

UNRESTRICTED NET ASSETS

Support

Grants and contributions	\$ 723,918
Special fundraising events	276,932
Program fees/student registrations	3,011
Donated educational services	2,193,920
Donated professional services/other	3,500
Donated alumni transitional	39,078
Miscellaneous revenue	4,274
Investment and interest income	<u>4,281</u>

TOTAL UNRESTRICTED SUPPORT 3,248,914

Net assets released from restrictions:

Restrictions satisfied by payments	<u>10,091</u>
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TOTAL UNRESTRICTED SUPPORT 3,259,005
AND RECLASSIFICATIONS 3,259,005

Expenses

Program Services:

Education	2,760,464
Alumni transition	170,418

Supporting Services:

Management and administrative	74,830
Fundraising	<u>263,001</u>

TOTAL EXPENSES 3,268,713

DECREASE IN UNRESTRICTED NET ASSETS (9,708)

TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions:

Restrictions satisfied by payments	<u>(10,091)</u>
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DECREASE IN TEMPORARILY RESTRICTED ASSETS (10,091)

NET ASSETS AT BEGINNING OF YEAR 422,159

NET ASSETS AT END OF YEAR \$ 402,360

See accountant's report and accompanying notes to the financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services		Supporting Services		Total
	Education	Alumni Transition	Mgmt and Administrative	Fundraising	
Salaries	\$ 237,660	\$ 22,221	\$ 17,142	\$ 121,366	\$ 398,389
Payroll taxes	16,856	2,616	892	8,957	29,321
Employee benefits	19,451	2,166	844	11,897	34,358
Faculty	168,927	19,000	-	-	187,927
Textbooks and reference materials	15,817	583	-	-	16,400
Student graduation	6,032	-	-	-	6,032
Speaker fees	-	2,661	-	-	2,661
Alumni activities expenses	-	21,101	-	-	21,101
Program testing and administrative fees	2,715	1,144	-	-	3,859
Rent-office	13,321	17,156	7,529	3,635	41,641
Event facility expenses	-	-	-	52,704	52,704
Meetings and hospitality	4,230	2,692	2,932	5,240	15,094
Insurance	9,596	1,921	1,427	4,709	17,653
Postage and delivery	689	487	157	3,771	5,104
Printing and reproduction	838	90	(397)	9,813	10,344
Travel, conferences and professional development	19,535	4,699	4,784	4,676	33,694
Supplies and miscellaneous	8,777	16,433	6,642	12,167	44,019
Depreciation and amortization	6,589	12,545	2,602	3,004	24,740
Maintenance and repairs	14,894	1,418	2,070	2,305	20,687
Telephone and internet	3,468	1,382	532	577	5,959
Professional fees	13,785	2,504	25,418	8,618	50,325
Banking, credit card and payroll processing costs	-	-	1,602	2,941	4,543
Information technology & leased equipment	3,364	2,286	654	3,121	9,425
Total Expenses Prior to Outflows of In-Kind Contributions	566,544	135,105	74,830	259,501	1,035,980
Outflows of In-Kind Contributions					
Alumni transitional	-	35,313	-	-	35,313
Educational services	2,193,920	-	-	-	2,193,920
Professional services	-	-	-	3,500	3,500
	<u>\$ 2,760,464</u>	<u>\$ 170,418</u>	<u>\$ 74,830</u>	<u>\$ 263,001</u>	<u>\$ 3,268,713</u>

See accountant's report and accompanying notes to financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets	\$ (19,799)
Adjustments to Reconcile Decrease in Net Assets To Net Cash Provided by Operating Activities:	
Depreciation and amortization	24,740
Decrease in accounts receivables	28,974
Increase in employee receivables	(1,650)
Decrease in prepaid expenses	19,120
Increase in current liabilities	<u>109,835</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>161,220</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of donated property held at year end	(3,766)
Purchase of fixed assets	(14,135)
Sale of marketable security held from prior year	<u>1,283</u>
 NET CASH USED BY INVESTING ACTIVITIES	 (16,618)

NET INCREASE IN CASH AND CASH EQUIVALENTS	144,602
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>230,732</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 375,334</u>

See accountant's report and accompanying notes to financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Hudson Link for Higher Education in Prison, Inc. (Organization) located in Ossining, New York, was formed in 2000 as a not-for-profit organization providing college education, life skills and re-entry support to incarcerated men and women to help them make a positive impact on their own lives, their families and communities, resulting in lower rates of recidivism, incarceration and poverty.

In 2014, Hudson Link offered credit and non-credit classes to enrolled individuals at Sing Sing Correctional facility, Fishkill Correctional facility, Sullivan Correctional facility, Taconic Correctional facility, and Greene Correctional Facility. A total of 69 credit classes and 9 non-credit classes were offered.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance accounting principles generally accepted in the United States.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Contributions-in-kind

The Organization receives significant support for its operations in the form of contributed professional services, educational credits, furniture and equipment and professional clothing for released individuals entering the work force. The accounting treatment for these contributions is as follows:

See independent auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 – Continued

Donated Professional Services and Other

The Organization relies on the donated services from a variety of unpaid volunteers assisting the programs in order to carry out its mission. At times, the Organization receives the donated time and expertise of certain professionals the Organization would typically be required to pay for in order to carry out certain specialized programs, events and general operations. When the criteria for recognition has been met, the value of these professional services is recognized in the statement of activities. When the criterion for recognition is not met, no amounts are recognized in the statement of activities.

In addition to professional services, the Organization occasionally receives equipment, computers, intangible assets, printers, furniture and professional clothing for use in its programs and offices. These items are recorded at their fair market value when received. For 2014, the Organization received donated professional services and other items totaling \$42,578.

Donated Educational Services

Through partnering with several educational institutions, the Organization is able to carry out its programs. Some of these educational institutions provide their classes to the Organization at a discounted per credit rate or at no cost. The Organization recognizes the value of these contributions when received. For 2014, the Organization received donated educational services totaling \$2,193,920.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

See independent auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 – Continued

Property and Equipment

The Organization records purchases of property and equipment at cost. Major additions and improvements are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed currently. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Donations of property and equipment are recorded as support at their estimated fair value when received. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded as restricted support.

Intangible Assets

Intangible assets consist of website development costs. These costs are amortized over a period of 60 months.

Income Taxes

The Organization is a corporation organized under the Not-for-Profit Corporation Laws of New York State. The corporation is recognized as tax exempt under Section 501 (c) (3) of the Internal Revenue Code. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are

See independent auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 – Continued

included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which income or gains are recognized.

Subsequent Events

The Organization has evaluated material subsequent events through the date these financial statements were available to be issued on August 21, 2015.

Fair Value of Financial Instruments

The Company's financial instruments are cash and cash equivalents, marketable securities and accounts payable. The recorded values of cash and cash equivalents and accounts payable approximate their fair values based on their short term nature. Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of assets, liabilities and net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value Measurements

The Organization is subject to the provisions of Accounting Standards Codification No. 820, "Fair Value Measurements and Disclosures" ("Standard"). This Standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. The Standard also defines the fair value hierarchy, which prioritizes the inputs used in determining fair value into three levels.

Financial instruments are considered Level 1 when the valuation can be determined using quoted prices in an active market. Level 2 financial instruments are valued using quoted prices that are observable, corroborated and reasonably available. Financial instruments are considered Level 3 when their values are determined using unobservable inputs such as pricing models and discounted cash flows methods. An asset or liability's level is determined using the lowest level of input which has a material impact on the fair value determination.

See independent auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 2 – Restrictions on Net Assets

Restrictions on net assets at December 31, 2014 are as follows:

Donations restricted for:

Taconic education grants	\$25,705
Purchase of computer equipment	<u>3,517</u>
	<u>\$29,222</u>

Note 3- Investments

The following schedule summarizes the investment return and its classification in the statement of support, expenses and changes in net assets for the year ended December 31, 2014:

Unrestricted:	
Interest and dividend income	\$ 316
Realized gains	<u>3,965</u>
Total investment income	<u>\$4,281</u>

Note 4 – Lease Commitments

The Organization leased its office space pursuant to a lease agreement, most recently amended in November 2013 for a term of one year expiring October 31, 2014, The lease agreement required base rent and utility charges totaling \$3,470 per month. Effective November 1, 2014, the Organization leased the office space on a month to month basis. The landlord holds a security deposit in the amount of \$3,170.

Note 5 – Retirement Plan

In 2004, the Organization adopted a Simple IRA Plan as an employee benefit. Under the plan, eligible employees may defer a portion of their salary on a tax deferred basis up to the applicable Internal Revenue Code limits with an employer match. For 2014, the Company's employer match was \$4,851. At December 31, 2014, the Organization's employer retirement plan payable is \$851.

See independent's auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 6 – Documentary Agreement

Pursuant to an Agreement dated June 14, 2010 between the Organization and Moxie Pictures, Inc. (Moxie), the Organization consented to the filming and production of a documentary concerning the programs of the Organization. Under the agreement, the Organization is provided with copies of the DVD version of the completed documentary and the right to exhibit the documentary to private audiences and guests. Moxie agreed the Organization will receive twenty percent of the net profits received by Moxie, from any source, derived from the distribution and exhibition. The Organization was informed the documentary was sold by Moxie to a major American cable and satellite network. The Organization's share of possible net profits pursuant to the Agreement is not known at December 31, 2014 and no revenue is reflected in the accompanying financial statements at December 31, 2014.

Note 7 – Concentrations

The Organization relies heavily on donations and grants to fund its programs. In 2014, a large portion of its monetary support was from ten major donors. These ten donors accounted for approximately 54.89% of its total monetary support in 2014.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, deposits were not in excess of FDIC insured limits.

The Organization, in partnership with accredited institutions of higher learning, offers pre-college classes and for-credit courses to incarcerated men and women at local prisons. If the accredited institutions terminated their involvement, the Organization would be forced to seek other educational institutions to provide these courses. In addition, the Organization has been able to continue their programs with the support of the administration of the prisons. If the support and cooperation by the prisons discontinued, the programs would be jeopardized.

See independent auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 8 - Subsequent Events

The lease mentioned in Note 4 was renewed for a term of two years effective July 1, 2015 and expiring June 30, 2017. The lease agreement requires base rent and utility charges totaling \$3,470 per month for the term of the lease. The lease agreement requires a security deposit of two month's rent.

See independent auditor's report.

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