

HUDSON LINK FOR HIGHER  
EDUCATION IN PRISON, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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**HECKLER & O'KEEFE**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

MYRON J. HECKLER, CPA (RETIRED)  
THOMAS F. O'KEEFE, CPA, JD  
DIANE ROONEY, CPA  
JOSEPH R. SAULNIER, CPA

**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, 2015, 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, 2015, 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.

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

Armonk, NY  
August 24, 2016

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	859,367
Accounts receivable		39,206
Prepaid expenses		11,172
Receivable - employee advances		2,660
<b>TOTAL CURRENT ASSETS</b>		<b>912,405</b>

PROPERTY AND EQUIPMENT

Furniture and fixtures	\$	56,738	
Office equipment		4,100	
Computer equipment		78,952	
Computer software		14,333	
Less accumulated depreciation		(90,657)	
<b>TOTAL PROPERTY AND EQUIPMENT</b>		<b>63,466</b>	

OTHER ASSETS

Donated assets held for alumni program		24,640
Intangible asset-website development (net of accumulated amortization, \$22,000)		8,000
Security deposit		3,170
<b>TOTAL OTHER ASSETS</b>		<b>35,810</b>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>1,011,681</b>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	24,135
Accrued expenses		12,000
Credit card payable		11,298
Retirement plan payable		1,295
<b>TOTAL LIABILITIES</b>		<b>48,728</b>

NET ASSETS

Unrestricted	\$	388,385	
Temporarily restricted		574,568	
<b>TOTAL NET ASSETS</b>		<b>962,953</b>	

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>1,011,681</b>
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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, 2015

UNRESTRICTED NET ASSETS

Support

Grants and contributions	\$ 1,351,752
Special fundraising events	277,025
Program fees/student registrations	1,903
Donated educational services	3,226,726
Donated professional services/other	3,500
Donated alumni transitional	34,323
Miscellaneous revenue	6,317
Investment and interest income	<u>5,627</u>

TOTAL UNRESTRICTED SUPPORT 4,907,173

Net assets released from restrictions:

Restrictions satisfied by payments	<u>419,864</u>
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TOTAL UNRESTRICTED SUPPORT  
AND RECLASSIFICATIONS 5,327,037

Expenses

Program Services:

Education	3,802,319
Alumni transition	212,877

Supporting Services:

Management and administrative	99,725
Fundraising	<u>231,659</u>

TOTAL EXPENSES 4,346,580

INCREASE IN UNRESTRICTED NET ASSETS 980,457

TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions:

Restrictions satisfied by payments	<u>(419,864)</u>
DECREASE IN TEMPORARILY RESTRICTED ASSETS	(419,864)

NET ASSETS AT BEGINNING OF YEAR 402,360

NET ASSETS AT END OF YEAR \$ 962,953

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, 2015

	Program Services		Supporting Services		Total
	Education	Alumni Transition	Mgmt and Administrative	Fundraising	
Salaries	\$ 267,618	\$ 62,344	\$ 26,201	\$ 89,612	\$ 445,775
Payroll taxes	26,523	6,179	2,597	8,880	44,179
Employee benefits	16,194	2,262	15,730	10,776	44,962
Faculty	158,989	40,000	-	-	198,989
Textbooks and reference materials	23,536	475	-	15	24,026
Student graduation	4,403	556	-	-	4,959
Alumni activities expenses	-	6,847	-	-	6,847
Program testing and administrative fees	2,897	1,795	-	-	4,692
Rent-office	13,321	17,156	7,530	3,635	41,642
Event facility expenses	-	-	-	61,831	61,831
Meetings and hospitality	4,425	2,654	1,955	2,787	11,821
Insurance	2,995	1,533	532	577	5,637
Postage and delivery	748	509	891	2,065	4,213
Printing and reproduction	177	80	224	9,773	10,254
Travel, conferences and professional development	14,865	10,979	1,762	6,014	33,620
Supplies and miscellaneous	10,232	11,941	19,377	16,918	58,468
Depreciation and amortization	6,176	12,551	3,220	2,736	24,683
Maintenance and repairs	11,460	2,914	-	5,050	19,424
Telephone and internet	3,107	1,273	-	1,368	5,748
Professional fees	3,836	-	15,500	600	19,936
Banking, credit card and payroll processing costs	-	96	2,525	2,922	5,543
Information technology & leased equipment	4,091	1,413	1,681	2,600	9,785
<b>Total Expenses Prior to Outflows of In-Kind Contributions</b>	<b>575,593</b>	<b>183,557</b>	<b>99,725</b>	<b>228,159</b>	<b>1,087,034</b>
<b>Outflows of In-Kind Contributions</b>					
Alumni transitional	-	29,320	-	-	29,320
Educational services	3,226,726	-	-	-	3,226,726
Professional services	-	-	-	3,500	3,500
	<b>\$ 3,802,319</b>	<b>\$ 212,877</b>	<b>\$ 99,725</b>	<b>\$ 231,659</b>	<b>\$ 4,346,580</b>

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 560,593
Adjustments to Reconcile Increase in Net Assets To Net Cash Provided by Operating Activities:	
Depreciation and amortization	24,683
Decrease in accounts receivables	6,506
Decrease in employee receivables	1,840
Increase in prepaid expenses	(864)
Decrease in current liabilities	<u>(100,727)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>492,031</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of donated property held at year end	(5,004)
Purchase of fixed assets	<u>(2,994)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 (7,998)

NET INCREASE IN CASH AND CASH EQUIVALENTS	484,033
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>375,334</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 859,367</u></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, 2015

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 2015, 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 with 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, 2015

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 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 2015, the Organization received donated professional services and other items totaling \$37,823.

**Donated Educational Services**

The Organization partners with several educational institutions 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 2015, the Organization received donated educational services totaling \$3,226,726.

***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, 2015

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, 2013, 2014, and 2015 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, 2015

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 24, 2016.

***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, 2015

Note 2 – Restrictions on Net Assets

Restrictions on net assets at December 31, 2015 are as follows:

Donations restricted for:

Building fund grants	\$524,375
Alumni program	36,039
Taconic education grants	10,637
Purchase of computer equipment	<u>3,517</u>
	<u>\$574,568</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, 2015:

Unrestricted:	
Interest and dividend income	\$ 227
Realized gains	<u>5,400</u>
Total investment income	<u>\$5,627</u>

Note 4 – Lease Commitments

The Organization leases its office space pursuant to a lease agreement, most recently 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 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 2015, the Company's employer match was \$3,964. At December 31, 2015, the Organization's employer retirement plan payable is \$1,295.

See independent's auditor's report.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 and no revenue is reflected in the accompanying financial statements at December 31, 2015.

Note 7 – Concentrations

The Organization relies heavily on donations and grants to fund its programs. In 2015, a large portion of its monetary support was from ten major donors. These ten donors accounted for approximately 55.58% of its total monetary support in 2015.

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, 2015, deposits totaling \$230,236 were 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, 2015

Note 8 - Subsequent Events

On April 29, 2016, the Organization purchased, with available funds, a commercial office building located in Ossining, NY, for \$690,000. The building will serve as the Organizations primary office.

See independent auditor's report.