

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2017 and 2016**

# HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated financial statements of Hudson Link for Higher Education in Prison, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Consolidated Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidated supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the years ended December 31, 2017 and 2016 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*UHY LLP*

New York, NY  
August 10, 2018

**CONSOLIDATED FINANCIAL STATEMENTS**

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**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|                                      | <u>December 31,</u> |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <u>2017</u>         | <u>2016</u>         |
| <b>ASSETS</b>                        |                     |                     |
| CURRENT ASSETS                       |                     |                     |
| Cash and cash equivalents            | \$ 402,759          | \$ 140,455          |
| Investments                          | 32,602              | 8,057               |
| Pledge receivable                    | 52,953              | 59,219              |
| Prepaid expenses                     | 14,550              | 13,555              |
| Total current assets                 | <u>502,864</u>      | <u>221,286</u>      |
| PROPERTY AND EQUIPMENT, NET          | 967,698             | 757,102             |
| OTHER LONG TERM ASSETS               | 28,073              | 40,429              |
|                                      | <u>\$ 1,498,635</u> | <u>\$ 1,018,817</u> |
| <b>LIABILITIES AND NET ASSETS</b>    |                     |                     |
| CURRENT LIABILITIES                  |                     |                     |
| Accounts payable and accrued expense | \$ 42,632           | \$ 39,778           |
| Loan payable                         | 25,000              | 85,000              |
| Total current liabilities            | <u>67,632</u>       | <u>124,778</u>      |
| NET ASSETS                           |                     |                     |
| Unrestricted net assets              | 1,115,451           | 778,533             |
| Temporarily restricted net assets    | 315,552             | 115,506             |
| Total net assets                     | <u>1,431,003</u>    | <u>894,039</u>      |
|                                      | <u>\$ 1,498,635</u> | <u>\$ 1,018,817</u> |

See notes to consolidated financial statements.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

|  | <u>Years Ended December 31,</u> |                          |
|--|---------------------------------|--------------------------|
|  | <u>2017</u>                     | <u>2016</u>              |
| <b>UNRESTRICTED NET ASSETS</b>                           |                                 |                          |
| Support and revenue                                      |                                 |                          |
| Donated educational services                             | \$ 4,510,717                    | \$ 4,181,339             |
| Grants and contributions                                 | 473,156                         | 466,834                  |
| Special fundraising events                               | 278,786                         | 283,859                  |
| Donated professional services                            | 118,019                         | 3,500                    |
| Donated alumni transitional                              | 19,380                          | 38,771                   |
| Miscellaneous revenue                                    | 18,000                          | 7,430                    |
| Program fees/student registrations                       | 35,701                          | 5,740                    |
| Investment and interest income                           | 7,940                           | 3,360                    |
|  | <u>5,461,699</u>                | <u>4,990,833</u>         |
| Net assets released from restrictions:                   |                                 |                          |
| Satisfaction of program restrictions                     | <u>922,886</u>                  | 992,533                  |
| Total support and revenue                                | <u>6,384,585</u>                | <u>5,983,366</u>         |
| <b>EXPENSES</b>  |                                 |                          |
| Program services   |                                 |                          |
| Education  | 5,276,609                       | 5,002,502                |
| Alumni transition  | 186,969                         | 189,690                  |
| New Beginnings' housing                                  | 23,153                          | -                        |
| Supporting services                                      |                                 |                          |
| Management and administrative                            | 134,236                         | 147,651                  |
| Fundraising  | 426,700                         | 253,375                  |
| Total expenses   | <u>6,047,667</u>                | <u>5,593,218</u>         |
| Increase in unrestricted net assets                      | <u>336,918</u>                  | <u>390,148</u>           |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>                 |                                 |                          |
| Support and revenue                                      |                                 |                          |
| Grants and contributions                                 | <u>1,122,932</u>                | 533,471                  |
|  | <u>1,122,932</u>                | <u>533,471</u>           |
| Net assets released from restrictions:                   |                                 |                          |
| Restrictions satisfied by payments                       | <u>(922,886)</u>                | (992,533)                |
| Increase (decrease) in temporarily restricted net assets | <u>200,046</u>                  | <u>(459,062)</u>         |
| <b>CHANGE IN NET ASSETS</b>                              | <b>536,964</b>                  | <b>(68,914)</b>          |
| <b>NET ASSETS, Beginning</b>                             | <u><b>894,039</b></u>           | <u>962,953</u>           |
| <b>NET ASSETS, Ending</b>                                | <u><b>\$ 1,431,003</b></u>      | <u><b>\$ 894,039</b></u> |

See notes to consolidated financial statements.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | <u>Years Ended December 31,</u> |                   |
|---|---------------------------------|-------------------|
|   | <u>2017</u>                     | <u>2016</u>       |
| <b>OPERATING ACTIVITIES</b>   |                                 |                   |
| Change in net assets  | \$ 536,964                      | \$ (68,914)       |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                                 |                   |
| Depreciation and amortization   | 40,255                          | 39,845            |
| Unrealized gain on investments  | (7,940)                         | (542)             |
| Changes in:   |                                 |                   |
| Pledge receivable   | 6,266                           | (17,354)          |
| Prepaid expenses  | (995)                           | (2,383)           |
| Other long term assets  | 12,356                          | (12,619)          |
| Accounts payable and accrued expenses   | 2,854                           | (8,950)           |
| Net cash provided by (used in) operating activities   | <u>589,760</u>                  | <u>(70,917)</u>   |
| <b>INVESTING ACTIVITIES</b>   |                                 |                   |
| Purchases of fixed assets   | (250,851)                       | (725,480)         |
| Donated investments   | (21,193)                        | (7,515)           |
| Proceeds from sale of investments   | 4,588                           | -                 |
| Net cash used in investing activities   | <u>(267,456)</u>                | <u>(732,995)</u>  |
| <b>FINANCING ACTIVITIES</b>   |                                 |                   |
| Repayments of loan  | (60,000)                        | (15,000)          |
| Proceeds from loan payable  | -                               | 100,000           |
| Net cash (used in) provided by financing activities   | <u>(60,000)</u>                 | <u>85,000</u>     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | <b>262,304</b>                  | <b>(718,912)</b>  |
| <b>CASH AND CASH EQUIVALENTS, Beginning</b>   | <u>140,455</u>                  | <u>859,367</u>    |
| <b>CASH AND CASH EQUIVALENTS, Ending</b>  | <u>\$ 402,759</u>               | <u>\$ 140,455</u> |

See notes to consolidated financial statements.



**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 1 — ORGANIZATION**

Hudson Link for Higher Education in Prison, Inc. (“Hudson Link”) located in Ossining, New York, was formed in 2000 as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”) to provide 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.

HL New Beginnings, LLC (“New Beginnings”) was formed as a wholly owned subsidiary of Hudson Link on October 18, 2017 as a New York not-for-profit organization under Section 501(c)(3) or the IRC. The purpose of New Beginnings is to provide housing and help prepare inmates for constructive and meaningful lives upon reentering society.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis for Consolidation**

The accompanying consolidated financial statements include the accounts of Hudson Link and its wholly-owned subsidiary New Beginnings from the date of formation (collectively, the “Organization”). All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents are maintained in Federal Deposit Insurance Corporation (“FDIC”) insured accounts at credit qualified financial institutions. At times, such amounts may exceed the FDIC insurance limits. At December 31, 2017, the uninsured balance totals approximately \$216,000.

**Fair Value of Financial Instruments**

Fair Value Measurements and Disclosures provides the framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Financial Instruments (Continued)**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization measures certain financial assets and liabilities at fair value on a recurring basis in the consolidated financial statements. The hierarchy ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.
- Level 3 Inputs are unobservable and cannot be corroborated by observable market data. Inputs generally reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the inputs of the model.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value measurement in its entirety is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Investments**

Investments are reported at fair value and are classified at level 1. Investment income, which consists of interest and dividend income earned, realized and unrealized gains or losses on those investments, is included in the consolidated statements of activities.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pledge Receivable**

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 restricted net assets, depending on the restriction. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets. Pledge receivables are expected to be collected during the next fiscal year and are recorded at net present value. The Organization did not receive any permanently restricted net assets during the years ended December 31, 2017 and 2016.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Maintenance and repairs of a routine nature are charged to expense while those that extend the life of existing properties are capitalized. Depreciation is computed 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 recorded 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 temporarily restricted support.

**Intangible Assets**

Intangible assets consisted of website development costs. The Organization's policy is to review intangible assets with finite lives for possible impairment whenever events and circumstances indicate that the carrying value may not be recoverable. If forecasted undiscounted cash flows to be generated by the asset are not expected to be adequate to recover the asset's carrying value, an impairment charge is recorded for the excess of the asset's carrying value over its estimated fair value. Fair values are determined based on discounted cash flows, quoted market values or external appraisals as applicable.

Intangible assets were amortized over their estimated useful lives of 56 months. Amortization expense amounted to \$8,000 for the year ended December 31, 2016, respectively. The intangible asset was fully amortized and written off as of December 31, 2016.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

*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 consolidated statements of activities.

In addition to professional services, the Organization occasionally receives equipment, computers, printers, furniture, and professional clothing for use in its programs and offices. When the criteria for recognition has been met, the value of these items received is recognized in the consolidated statements of activities.

*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.

**Concentrations**

The Organization relies heavily on donations and grants to fund its programs. In 2017 and 2016, a large portion of its monetary support was from ten major donors, which accounted for approximately 73% and 64% of its total monetary support for the years ended December 31, 2017 and 2016, respectively.

The Organization, in partnership with accredited institutions of higher learning, offers pre-college classes and for-credit college 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. For the years ended December 31, 2017 and 2016, three institutions account for 83% and 84% of the Organization's donated educational services, respectively.

**Income Taxes**

The Organization is a corporation organized under the Not-For-Profit Corporations laws as described in Section 501(c)(3) of the IRC.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017 and 2016

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expense Allocation**

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

**Use of Estimates**

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

**Subsequent Events**

For purposes of preparing this consolidated financial statement the Organization considered events through August 10, 2018, the date these consolidated financial statements are available for issuance.

**NOTE 3 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at:

|                                | December 31,      |                   |
|--------------------------------|-------------------|-------------------|
|                                | 2017              | 2016              |
| Buildings                      | \$ 726,176        | \$ 714,015        |
| Construction in progress       | 214,052           | -                 |
| Computers and equipment        | 71,748            | 65,010            |
| Furniture and fixtures         | 59,274            | 59,274            |
| Vehicle                        | 17,900            | -                 |
| Software                       | 14,690            | 14,690            |
|                                | <u>1,103,840</u>  | <u>852,989</u>    |
| Less: accumulated depreciation | 136,142           | 95,887            |
|                                | <u>\$ 967,698</u> | <u>\$ 757,102</u> |

On November 21, 2017, the Organization purchased a building at 14 Washington Avenue, Ossining, New York for a total purchase price of \$185,000. On April 29, 2016, the Organization purchased a building at 23 State Street, Ossining, New York. These purchases as well as additional closing and construction costs are included in buildings and construction in progress costs above.

Depreciation expense for the years ended December 31, 2017 and 2016 was \$40,255 and \$31,980, respectively.

**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 4 — LOAN PAYABLE**

On April 22, 2016, the Organization entered into a loan agreement. Per the terms of the note, the Organization received \$100,000 to be used to finance a portion of the purchase price of the Organization's building and for relocation expenses incurred by the Organization. The note matures on May 31, 2018 and bears interest at a rate equal to the nominal interest rate set by the Internal Revenue Service as the "imputed interest rate", which was approximately 12% and 9% per annum at December 31, 2017 and 2016. The loan may be prepaid without any prepayment premium, and, at the lender's option, in monthly or quarterly installments as or otherwise directed by the lender. As of December 31, 2017 and 2016, accrued interest on the loan was \$8,208 and \$1,578 and has been included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

**NOTE 5 — NET ASSETS**

Restrictions on net assets consists of the following at:

|                         | December 31,      |                   |
|-------------------------|-------------------|-------------------|
|                         | 2017              | 2016              |
| Donor restricted for:   |                   |                   |
| Education               | \$ 237,657        | \$ 115,506        |
| New Beginnings' housing | 77,895            | -                 |
|                         | <u>\$ 315,552</u> | <u>\$ 115,506</u> |

**NOTE 6 — LEASE COMMITMENTS**

The Organization leased an office space pursuant to a lease agreement which expired on June 30, 2017. Rent expense under the operating lease was \$6,640 and \$38,170 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 7 — EMPLOYEE BENEFIT PLAN**

The Organization has an employee benefit plan that covers substantially all employees that meet certain eligibility requirements. The Organization's contributions are discretionary, and were \$4,740 and \$4,274 for the years ended December 31, 2017 and 2016, respectively. At both December 31, 2017 and 2016, the Organization had accrued contributions of \$1,295, which are reflected in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

**CONSOLIDATED SUPPLEMENTARY INFORMATION**

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**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2017

|  | Program Services    |                   |                  | Supporting Services     |                   | Total               |
|--|---------------------|-------------------|------------------|-------------------------|-------------------|---------------------|
|  | Education           | Alumni Transition | New Beginnings   | Mgmt and Administrative | Fundraising       |                     |
| Salaries   | \$ 401,366          | \$ 69,934         | \$ 11,250        | \$ 31,024               | \$ 121,785        | \$ 635,359          |
| Faculty  | 127,784             | 10,702            | -                | -                       | -                 | 138,486             |
| Supplies and miscellaneous                           | 22,031              | 10,835            | 1,913            | 21,612                  | 16,186            | 72,577              |
| Employee benefits                                    | 36,059              | 6,067             | 2,149            | 7,310                   | 17,203            | 68,788              |
| Event facility expenses                              | -                   | -                 | -                | -                       | 73,069            | 73,069              |
| Travel, conferences, and professional development    | 27,245              | 6,584             | 195              | 4,074                   | 20,080            | 58,178              |
| Payroll taxes  | 34,236              | 7,241             | 787              | 1,784                   | 10,480            | 54,528              |
| Repairs and maintenance                              | 29,542              | 3,209             | 5,678            | 8,035                   | 5,894             | 52,358              |
| Professional fees                                    | 9,065               | -                 | -                | 29,208                  | 2,250             | 40,523              |
| Depreciation   | 7,224               | 7,940             | -                | 23,426                  | 1,665             | 40,255              |
| Textbooks and reference materials                    | 26,736              | 675               | -                | -                       | 14                | 27,425              |
| Meetings and hospitality                             | 7,413               | 1,827             | 245              | 2,334                   | 8,500             | 20,319              |
| Information technology                               | 9,262               | 831               | 118              | 1,299                   | 8,178             | 19,688              |
| Printing and reproduction                            | 215                 | 80                | 65               | 232                     | 14,186            | 14,778              |
| Alumni activities expenses                           | -                   | 12,438            | -                | -                       | 215               | 12,653              |
| Student graduation                                   | 10,679              | -                 | -                | -                       | -                 | 10,679              |
| Insurance  | 3,042               | 3,728             | -                | 1,833                   | 1,538             | 10,141              |
| Telephone and internet                               | 3,536               | 1,925             | 737              | 628                     | 1,430             | 8,256               |
| Banking, credit card, and payroll processing fees    | 48                  | -                 | -                | 6,004                   | 1,854             | 7,906               |
| Program testing and administrative fees              | 7,521               | -                 | -                | -                       | -                 | 7,521               |
| Rent   | 14,054              | 1,562             | -                | (11,682)                | 2,706             | 6,640               |
| Interest expense                                     | -                   | -                 | -                | 6,631                   | -                 | 6,631               |
| Postage and delivery                                 | 1,434               | 225               | 16               | 484                     | 1,448             | 3,607               |
| Total expenses prior to in-kind expenses contributed | <u>778,492</u>      | <u>145,803</u>    | <u>23,153</u>    | <u>134,236</u>          | <u>308,681</u>    | <u>1,390,365</u>    |
| In-kind educational services                         | 4,498,117           | -                 | -                | -                       | -                 | 4,498,117           |
| In-kind alumni transitional                          | -                   | 41,166            | -                | -                       | -                 | 41,166              |
| In-kind professional services                        | -                   | -                 | -                | -                       | 118,019           | 118,019             |
| Total in-kind expenses contributed                   | <u>4,498,117</u>    | <u>41,166</u>     | <u>-</u>         | <u>-</u>                | <u>118,019</u>    | <u>4,657,302</u>    |
|  | <u>\$ 5,276,609</u> | <u>\$ 186,969</u> | <u>\$ 23,153</u> | <u>\$ 134,236</u>       | <u>\$ 426,700</u> | <u>\$ 6,047,667</u> |



**HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2016

|  | <u>Program Services</u> |                              | <u>Supporting Services</u>         |                    | <u>Total</u>        |
|--|-------------------------|------------------------------|------------------------------------|--------------------|---------------------|
|  | <u>Education</u>        | <u>Alumni<br/>Transition</u> | <u>Mgmt and<br/>Administrative</u> | <u>Fundraising</u> |                     |
| Salaries   | \$ 313,899              | \$ 75,550                    | \$ 34,038                          | \$ 111,608         | \$ 535,095          |
| Faculty  | 244,364                 | -                            | -                                  | -                  | 244,364             |
| Travel, conferences, and professional development    | 74,175                  | 9,866                        | 13,014                             | 8,142              | 105,197             |
| Supplies and miscellaneous                           | 19,045                  | 18,454                       | 32,727                             | 17,088             | 87,314              |
| Repairs and maintenance                              | 38,774                  | 8,025                        | 16,101                             | 7,867              | 70,767              |
| Event facility expenses                              | -                       | -                            | -                                  | 56,170             | 56,170              |
| Payroll taxes  | 31,400                  | 7,195                        | 2,893                              | 10,408             | 51,896              |
| Employee benefits                                    | 27,217                  | 5,156                        | 5,411                              | 13,474             | 51,258              |
| Depreciation and amortization                        | 7,224                   | 7,940                        | 23,016                             | 1,665              | 39,845              |
| Rent   | 13,905                  | 14,032                       | 6,901                              | 3,332              | 38,170              |
| Textbooks and reference materials                    | 22,081                  | -                            | -                                  | -                  | 22,081              |
| Meetings and hospitality                             | 6,782                   | 1,203                        | 3,915                              | 3,717              | 15,617              |
| Alumni activities expenses                           | 521                     | 12,548                       | -                                  | -                  | 13,069              |
| Information technology                               | 5,682                   | 631                          | 1,010                              | 3,998              | 11,321              |
| Printing and reproduction                            | 581                     | 334                          | 615                                | 6,845              | 8,375               |
| Insurance  | 1,831                   | 1,848                        | 2,606                              | 439                | 6,724               |
| Banking, credit card, and payroll processing fees    | -                       | -                            | 2,823                              | 3,413              | 6,236               |
| Student graduation                                   | 5,925                   | -                            | -                                  | -                  | 5,925               |
| Program testing and administrative fees              | 4,495                   | -                            | -                                  | -                  | 4,495               |
| Telephone and internet                               | 2,596                   | 653                          | 497                                | 538                | 4,284               |
| Postage and delivery                                 | 666                     | 103                          | 506                                | 1,171              | 2,446               |
| Interest expense                                     | -                       | -                            | 1,578                              | -                  | 1,578               |
| Total expenses prior to in-kind expenses contributed | <u>821,163</u>          | <u>163,538</u>               | <u>147,651</u>                     | <u>249,875</u>     | <u>1,382,227</u>    |
| In-kind educational services                         | 4,181,339               | -                            | -                                  | -                  | 4,181,339           |
| In-kind alumni transitional                          | -                       | 26,152                       | -                                  | -                  | 26,152              |
| In-kind professional services                        | -                       | -                            | -                                  | 3,500              | 3,500               |
| Total in-kind expenses contributed                   | <u>4,181,339</u>        | <u>26,152</u>                | <u>-</u>                           | <u>3,500</u>       | <u>4,210,991</u>    |
|  | <u>\$ 5,002,502</u>     | <u>\$ 189,690</u>            | <u>\$ 147,651</u>                  | <u>\$ 253,375</u>  | <u>\$ 5,593,218</u> |

