

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4-5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-13

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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, 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, 2018 and 2017, and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

New York, New York
September 10, 2019

CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 794,652	\$ 402,759
Investments	-	32,602
Pledge receivable, net	167,938	52,953
Prepaid expenses	<u>13,555</u>	<u>14,550</u>
Total current assets	976,145	502,864
PLEDGE RECEIVABLE, NET OF CURRENT PORTION	85,000	-
PROPERTY AND EQUIPMENT, NET	1,609,519	967,698
OTHER LONG TERM ASSETS	<u>35,598</u>	<u>28,073</u>
	<u>\$ 2,706,262</u>	<u>\$ 1,498,635</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 100,319	\$ 42,632
Deferred revenue	170,000	-
Loan payable	<u>-</u>	<u>25,000</u>
Total current liabilities	270,319	67,632
NET ASSETS		
Net assets without donor restrictions	2,092,222	1,115,451
Net assets with donor restrictions	<u>343,721</u>	<u>315,552</u>
Total net assets	<u>2,435,943</u>	<u>1,431,003</u>
	<u>\$ 2,706,262</u>	<u>\$ 1,498,635</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>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Donated educational services	\$ 5,054,645	\$ 4,510,717
Grants and contributions	927,160	473,156
Special fundraising events	511,020	278,786
Donated professional services	295,510	118,019
Donated alumni transition and supplies	67,587	19,380
Miscellaneous revenue	18,369	18,000
Program fees/student registrations	18,097	35,701
Investment and interest income	1,592	7,940
	<u>6,893,980</u>	<u>5,461,699</u>
Net assets released with restrictions:		
Satisfaction of program restrictions	<u>1,294,775</u>	922,886
Total support and revenue	<u>8,188,755</u>	<u>6,384,585</u>
EXPENSES		
Program services		
Education	5,969,037	5,276,609
Alumni transition	262,882	186,969
New Beginnings' housing	110,669	23,153
Supporting services		
Management and administrative	195,078	134,236
Fundraising	<u>674,318</u>	<u>426,700</u>
Total expenses	<u>7,211,984</u>	<u>6,047,667</u>
Increase in net assets without donor restrictions	<u>976,771</u>	<u>336,918</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Support and revenue		
Grants and contributions	<u>1,322,944</u>	1,122,932
	<u>1,322,944</u>	<u>1,122,932</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(1,294,775)</u>	<u>(922,886)</u>
Increase in net assets with donor restrictions	<u>28,169</u>	<u>200,046</u>
CHANGE IN NET ASSETS	1,004,940	536,964
NET ASSETS, Beginning	<u>1,431,003</u>	894,039
NET ASSETS, Ending	<u>\$ 2,435,943</u>	<u>\$ 1,431,003</u>

See notes to consolidated financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services			Supporting Services		Total
	Education	Alumni Transition	New Beginnings	Mgmt and Administrative	Fundraising	
Salaries	\$ 472,589	\$ 78,917	\$ 42,431	\$ 61,293	\$ 136,195	\$ 791,425
Faculty	180,908	23,925	-	-	-	204,833
Supplies and miscellaneous	19,407	41,316	444	24,866	20,231	106,264
Event facility	-	-	-	-	80,608	80,608
Employee benefits	49,957	5,877	8,466	7,458	15,520	87,278
Travel, conferences, and professional development	16,718	12,009	2,013	24,632	23,945	79,317
Payroll taxes	39,296	6,516	1,538	8,274	12,559	68,183
Information technology and leased equipment	43,149	2,829	119	6,146	3,489	55,732
Building expense	16,873	4,392	21,354	8,308	3,019	53,946
Depreciation	9,641	9,641	3,755	9,641	9,642	42,320
Bad debt	-	-	-	-	47,750	47,750
Meetings and hospitality	13,618	1,700	5,048	5,270	14,045	39,681
Professional fees	10,138	1,200	26	20,825	2,300	34,489
Repairs and maintenance	13,829	1,595	5,226	3,332	2,148	26,130
Alumni activities expenses	-	24,425	-	-	-	24,425
Printing and reproduction	828	80	-	994	9,533	11,435
Textbooks and reference materials	9,306	1,029	-	510	-	10,845
Banking, credit card, and payroll processing fees	-	135	-	6,205	4,462	10,802
Student graduation	9,300	-	-	-	-	9,300
Insurance	1,668	1,514	2,142	3,072	723	9,119
Telephone and internet	2,837	2,099	-	628	650	6,214
Postage and delivery	887	1,435	25	1,026	2,795	6,168
Program testing and administrative fees	3,443	28	-	-	-	3,471
Interest expense	-	-	-	2,598	-	2,598
Total expenses prior to in-kind expenses contributed	<u>914,392</u>	<u>220,662</u>	<u>92,587</u>	<u>195,078</u>	<u>389,614</u>	<u>1,812,333</u>
In-kind educational services	5,054,645	-	-	-	-	5,054,645
In-kind alumni transition and supplies	-	42,220	18,082	-	-	60,302
In-kind professional services	-	-	-	-	284,704	284,704
Total in-kind expenses contributed	<u>5,054,645</u>	<u>42,220</u>	<u>18,082</u>	<u>-</u>	<u>284,704</u>	<u>5,399,651</u>
	<u>\$ 5,969,037</u>	<u>\$ 262,882</u>	<u>\$ 110,669</u>	<u>\$ 195,078</u>	<u>\$ 674,318</u>	<u>\$ 7,211,984</u>

See notes to consolidated financial statements.

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

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Education</u>	<u>Alumni Transition</u>	<u>New Beginnings</u>	<u>Mgmt and Administrative</u>	<u>Fundraising</u>	
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	-	-	-	-	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 and leased equipment	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 transition	-	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>

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>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,004,940	\$ 536,964
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,320	40,255
Unrealized loss (gain) on investments	221	(7,940)
Realized gain on investments	(1,024)	-
Bad debt expense	47,750	-
Changes in:		
Pledge receivable	(247,735)	6,266
Prepaid expenses	995	(995)
Other long term assets	(7,525)	12,356
Accounts payable and accrued expenses	57,687	2,854
Deferred revenue	170,000	-
Net cash provided by operating activities	<u>1,067,629</u>	<u>589,760</u>
INVESTING ACTIVITIES		
Purchases of fixed assets	(684,141)	(250,851)
Donated investments	(28,459)	(21,193)
Proceeds from sale of investments	61,864	4,588
Net cash used in investing activities	<u>(650,736)</u>	<u>(267,456)</u>
FINANCING ACTIVITIES		
Repayments of loan	(25,000)	(60,000)
Net cash used in financing activities	<u>(25,000)</u>	<u>(60,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	391,893	262,304
CASH AND CASH EQUIVALENTS, Beginning	402,759	140,455
CASH AND CASH EQUIVALENTS, Ending	\$ 794,652	\$ 402,759

See notes to consolidated financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

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) of the IRC. The purpose of New Beginnings is to provide housing and help prepare inmates for constructive and meaningful lives upon reentering society.

83 Main Street Ossining LLC ("83 Main Street") was formed as a wholly owned subsidiary of New Beginnings on August 9, 2018 as a New York not-for-profit organization under Section 501(c)(3) of the IRC. The purpose of 83 Main Street is to assist New Beginnings in providing housing for inmates.

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 for Accounting

The Organization's consolidated financial statements are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Recently Adopted Accounting Standard

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization adopted ASU 2016-14 for the year ended December 31, 2018. Adoption of this ASU did not have a material impact on the consolidated financial statements.

The main provisions of this update, which amend the requirements for consolidated financial statements and notes in ASU 2016-14, Not-for-Profit Entities, require the Organization to (1) present only two classes of net assets on the statements of financial position and statements of activities, including net assets with donor restrictions and net assets without donor restrictions, (2) provide enhanced disclosures about the composition of net assets with donor restrictions (Note 5) and how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the consolidated statement of financial position date (Note 9).

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

In accordance with GAAP, the Organization's net assets are classified and reported as follows:

Net assets without donor restriction which include all net assets that are not subject to donor-imposed stipulations.

Net assets with donor restriction which are comprised of assets whose use has been restricted by the donor for a particular purpose.

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, 2018, the uninsured balance totals approximately \$460,000.

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.

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.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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.

Pledge Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises generally depend on future events occurring before the contribution is received. However, if the chance that such event will not occur is remote, the promise to give is accounted for as an unconditional promise.

Pledge receivables are stated at fair value, which is computed as the estimated present value of future cash flows. The Organization provides an allowance for doubtful pledge receivable, which is based upon review of outstanding receivables, historical collection information and existing economic conditions. Delinquent pledge receivables are written-off based on the specific circumstances of the donor making the pledge. As of December 31, 2018 and 2017, the allowance for doubtful accounts was \$41,350 and \$0, respectively.

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 net assets without donor restrictions 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 net assets with donor restrictions.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 2018 and 2017, a large portion of its monetary support was from ten major donors, which accounted for approximately 69% and 73% of its total monetary support for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, three institutions account for 89% and 83% of the Organization's donated educational services, respectively.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 September 10, 2019, the date these consolidated financial statements are available for issuance.

NOTE 3 — PLEDGE RECEIVABLE

Pledges receivable consisted of the following:

	December 31,	
	2018	2017
Due within one year	\$ 209,288	\$ 52,953
Due in one to five years	85,000	-
	294,288	52,953
Less: allowance for uncollectible amounts	41,350	-
Total	<u>\$ 252,938</u>	<u>\$ 52,953</u>

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	December 31,	
	2018	2017
Buildings	\$ 729,389	\$ 726,176
Construction in progress	853,525	214,052
Computers and equipment	71,748	71,748
Furniture and fixtures	59,274	59,274
Vehicle	19,400	17,900
Software	54,645	14,690
	<u>1,787,981</u>	<u>1,103,840</u>
Less: accumulated depreciation	<u>178,462</u>	<u>136,142</u>
	<u>\$ 1,609,519</u>	<u>\$ 967,698</u>

On September 29, 2018, the Organization purchased a building at 83 Main Street, Ossining, New York for a total purchase price of approximately \$340,000. On November 21, 2017, the Organization purchased a building at 14 Washington Avenue, Ossining, New York for a total purchase price of \$185,000. 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, 2018 and 2017 was \$42,320 and \$40,255, respectively.

NOTE 5 — 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 10% and 12% per annum at December 31, 2018 and 2017. 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, 2018 and 2017, accrued interest on the loan was \$0 and \$8,208 and has been included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. The loan was paid in full during May 2018.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

Restrictions on net assets consisted of the following at:

	December 31,	
	2018	2017
Donor restricted for:		
Education	\$ 115,692	\$ 237,657
New Beginnings' housing	228,029	77,895
	<u>\$ 343,721</u>	<u>\$ 315,552</u>

NOTE 7 — 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 \$0 and \$6,640 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 — 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 \$4,959 and \$4,740 for the years ended December 31, 2018 and 2017, respectively. At both December 31, 2018 and 2017, 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.

NOTE 9 — LIQUIDITY

The Organization's consolidated financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 794,652
Pledge receivable, net-current	<u>167,938</u>
	<u>\$ 962,590</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON

Accrual Basis

2019 Budget

	2019 Budget
<u>Revenue</u>	
Foundation/Organization Donations *	1,393,004
Campaign Annual Gala	350,000
Individual Contributions	156,496
Program Revenue	1,872
Documentary Screenings	600
Interest Income	646
Gain/Loss Securities	0
Total Revenue	1,902,618
 <u>Expense</u>	
Program	
Sing Sing	136,731
Taconic	147,000
Fishkill	62,850
Sullivan	166,323
Greene	146,201
Shawangunk	93,970
Hudson	0
Alumni Program	180,566
Total Program	933,641
 General & Administrative Expenses	
Salaries & Wages	552,025
Fringe Benefits	115,000
Administrative	89,325
Administrative - 23 State St Bldg Expenses	27,000
Equipment/Technology	22,000
Fund Raising/General	45,000
Special Events (Gala)	136,000
Special Events (TEdex)	20,000
Travel & Entertainment	8,000
Marketing & Development	12,000
Total General & Administrative Expenses	1,026,350
 Total Expense	 1,959,991
 Net Income	 (57,373)
	(57,373)