

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-14

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, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, 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, 2019 and 2018, 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.

UHY LLP

New York, New York
July 20, 2020

CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 550,522	\$ 794,652
Investments	6,235	-
Pledge receivables, net	176,331	167,938
Prepaid expenses	<u>13,527</u>	<u>13,555</u>
Total current assets	746,615	976,145
PLEDGE RECEIVABLE, NET OF CURRENT PORTION	-	85,000
PROPERTY AND EQUIPMENT, NET	1,843,956	1,609,519
OTHER LONG TERM ASSETS	<u>33,792</u>	<u>35,598</u>
	<u>\$ 2,624,363</u>	<u>\$ 2,706,262</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 135,555	\$ 100,319
Deferred revenue	<u>85,000</u>	<u>170,000</u>
Total current liabilities	220,555	270,319
NET ASSETS		
Net assets without donor restrictions	2,151,735	2,092,222
Net assets with donor restrictions	<u>252,073</u>	<u>343,721</u>
Total net assets	<u>2,403,808</u>	<u>2,435,943</u>
	<u>\$ 2,624,363</u>	<u>\$ 2,706,262</u>

See notes to consolidated financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Donated educational services	\$ 5,058,782	\$ 5,054,645
Grants and contributions	1,136,703	927,160
Special fundraising events	361,768	511,020
Donated professional services	140,090	295,510
Miscellaneous revenue	109,692	18,369
Program fees/student registrations	24,066	18,097
Donated alumni transition and supplies	3,873	67,587
Investment and interest income	414	1,592
	<u>6,835,388</u>	<u>6,893,980</u>
Net assets released with restrictions:		
Satisfaction of program restrictions	<u>752,997</u>	<u>1,294,775</u>
Total support and revenue	<u>7,588,385</u>	<u>8,188,755</u>
EXPENSES		
Program services		
Education	6,234,354	5,969,037
Alumni transition	352,250	262,882
New Beginnings' housing	97,814	110,669
Supporting services		
Management and administrative	456,578	195,078
Fundraising	387,876	674,318
Total expenses	<u>7,528,872</u>	<u>7,211,984</u>
Increase in net assets without donor restrictions	<u>59,513</u>	<u>976,771</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Support and revenue		
Grants and contributions	<u>661,349</u>	<u>1,322,944</u>
	<u>661,349</u>	<u>1,322,944</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(752,997)</u>	<u>(1,294,775)</u>
(Decrease) increase in net assets with donor restrictions	<u>(91,648)</u>	<u>28,169</u>
CHANGE IN NET ASSETS	(32,135)	1,004,940
NET ASSETS, Beginning	<u>2,435,943</u>	<u>1,431,003</u>
NET ASSETS, Ending	<u>\$ 2,403,808</u>	<u>\$ 2,435,943</u>

See notes to consolidated financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Education</u>	<u>Alumni Transition</u>	<u>New Beginnings</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	
Salaries	\$ 477,926	\$ 99,773	\$ 52,669	\$ 78,471	\$ 168,190	\$ 877,029
Faculty	389,382	-	-	-	-	389,382
Supplies and miscellaneous	19,188	77,537	546	42,415	25,632	165,318
Employee benefits	56,006	13,327	-	32,680	32,949	134,962
Travel, conferences, and professional development	23,365	32,408	1,552	24,677	24,596	106,598
Payroll taxes	45,527	11,016	405	27,737	8,312	92,997
Repairs and maintenance	13,493	53,702	270	20,211	1,885	89,561
Event facility	2,674	1,109	-	-	84,460	88,243
Building expense	17,546	9,926	35,838	4,987	3,844	72,141
Professional fees	8,586	400	-	36,889	2,200	48,075
Textbooks and reference materials	47,675	320	-	10	-	48,005
Depreciation	-	-	1,042	33,239	1,332	35,613
Information technology and leased equipment	27,141	1,830	811	1,616	3,719	35,117
Meetings and hospitality	5,869	2,778	2,690	6,809	9,135	27,281
Student graduation	26,323	-	-	-	-	26,323
Alumni activities expenses	-	22,919	-	-	1,295	24,214
Insurance	3,945	4,272	1,152	10,221	1,709	21,299
Printing and reproduction	4,224	165	359	911	9,575	15,234
Banking, credit card, and payroll processing fees	-	135	480	7,535	3,377	11,527
Telephone and internet	3,123	1,124	-	2,137	488	6,872
Postage and delivery	1,863	320	-	1,649	1,678	5,510
Program testing and administrative fees	1,716	15	-	-	-	1,731
Bad debt	-	-	-	394	-	394
Total expenses prior to in-kind expenses contributed	<u>1,175,572</u>	<u>333,076</u>	<u>97,814</u>	<u>332,588</u>	<u>384,376</u>	<u>2,323,426</u>
In-kind educational services	5,058,782	-	-	-	-	5,058,782
In-kind professional services	-	12,600	-	123,990	3,500	140,090
In-kind alumni transition and supplies	-	6,574	-	-	-	6,574
Total in-kind expenses contributed	<u>5,058,782</u>	<u>19,174</u>	<u>-</u>	<u>123,990</u>	<u>3,500</u>	<u>5,205,446</u>
	<u>\$ 6,234,354</u>	<u>\$ 352,250</u>	<u>\$ 97,814</u>	<u>\$ 456,578</u>	<u>\$ 387,876</u>	<u>\$ 7,528,872</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

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Education</u>	<u>Alumni Transition</u>	<u>New Beginnings</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	
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 CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (32,135)	\$ 1,004,940
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,613	42,320
Unrealized loss on investments	-	221
Realized loss (gain) on investments	171	(1,024)
Bad debt expense	394	47,750
Changes in:		
Pledge receivables	76,213	(247,735)
Prepaid expenses	28	995
Other long term assets	1,806	(7,525)
Accounts payable and accrued expenses	35,236	57,687
Deferred revenue	<u>(85,000)</u>	<u>170,000</u>
Net cash provided by operating activities	<u>32,326</u>	<u>1,067,629</u>
INVESTING ACTIVITIES		
Purchases of fixed assets	(270,050)	(684,141)
Donated investments	(24,715)	(28,459)
Proceeds from sale of investments	<u>18,309</u>	<u>61,864</u>
Net cash used in investing activities	<u>(276,456)</u>	<u>(650,736)</u>
FINANCING ACTIVITIES		
Repayments of loan	<u>-</u>	<u>(25,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(25,000)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(244,130)	391,893
CASH AND CASH EQUIVALENTS, Beginning	<u>794,652</u>	<u>402,759</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 550,522</u>	<u>\$ 794,652</u>

See notes to consolidated financial statements.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 (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 Standards

On January 1, 2019, the Organization adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a framework for evaluating whether a transfer of assets is a contribution or an exchange transaction as well as to provide a more robust framework for determining whether a contribution is conditional or unconditional. The Organization adopted this ASU as of January 1, 2019 on a modified prospective basis and has determined there to be an immaterial impact on the financial statements and therefore no impact on beginning net assets.

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.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019, the uninsured balance totals approximately \$287,000.

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.

As of December 31, 2019, investments consisted of publicly traded securities. All investments are Level 1 of the fair value hierarchy.

Investments

Investments are reported at fair value. 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 and changes in net assets.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledge Receivable

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, 2019 and 2018, the allowance for doubtful accounts was \$0 and \$41,350, 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.

Revenue Recognition

The Organization follows Topic 958 for revenue recognition as the Organization's revenue primarily consists of contributions. Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises generally depend on future barriers and are recognized when the barriers are overcome. However, if the donor's barrier is an administrative requirement and is not related to the purpose of the agreement, for example annual reports, then the promise to give is accounted for as an unconditional promise.

Revenue from special events are recognized when event occurs. Cash received in advance of the event is recorded as deferred revenue until the event occurs at which time revenue is recognized.

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:

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions In-Kind (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 consolidated statements of activities and changes in net assets.

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 and changes in net assets.

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 2019 and 2018, a large portion of its monetary support was from ten major donors, which accounted for approximately 76% and 69% of its total monetary support for the years ended December 31, 2019 and 2018, respectively. One donor accounted for 49% and 67% as of December 31, 2019 and 2018 of the Organization's pledge receivable, 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, 2019 and 2018, four institutions account for 90% and three institutions 89% 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, 2019 and 2018

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 and changes in net assets. 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 in the consolidated financial statements. Actual results could differ from those estimates.

Subsequent Events

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the Organization has continued to remain open and have employees working remotely even though they are considered a non-essential business.

In response to the COVID-19 pandemic, the Company has received a Payroll Protection Program loan (the “Loan”) from the government for approximately \$176,000. The funds were received on May 1, 2020. Under the terms of the Loan, certain amounts of the Loan may be forgiven if the funds are used for qualifying expenses as described in the Payroll Protection Program.

For purposes of preparing this consolidated financial statement the Organization considered events through July 20, 2020, the date these consolidated financial statements are available for issuance.

NOTE 3 — PLEDGE RECEIVABLE

Pledges receivable consisted of the following:

	December 31,	
	2019	2018
Due within one year	\$ 176,331	\$ 209,288
Due in one to five years	-	85,000
	176,331	294,288
Less: allowance for uncollectible amounts	-	41,350
Total	<u>\$ 176,331</u>	<u>\$ 252,938</u>

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	December 31,	
	2019	2018
Construction in progress	\$ 995,586	\$ 853,525
Buildings	744,989	729,389
Software	151,173	54,645
Computers and equipment	73,826	71,748
Furniture and fixtures	62,265	59,274
Vehicle	30,192	19,400
	<u>2,058,031</u>	<u>1,787,981</u>
Less: accumulated depreciation	<u>214,075</u>	<u>178,462</u>
	<u>\$ 1,843,956</u>	<u>\$ 1,609,519</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. Estimated total costs of construction to still be incurred are approximately \$371,000.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$35,613 and \$42,320, 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 matured on May 31, 2018 and carried 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% per annum at December 31, 2018. The loan was paid in full during May 2018.

HUDSON LINK FOR HIGHER EDUCATION IN PRISON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

Restrictions on net assets consisted of the following at:

	December 31,	
	2019	2018
Donor restricted for:		
Education	\$ 16,005	\$ 115,692
New Beginnings' housing	236,068	228,029
	<u>\$ 252,073</u>	<u>\$ 343,721</u>

NOTE 7 — EMPLOYEE RETIREMENT PLAN

The Organization has a defined contribution plan that covers substantially all employees that meet certain eligibility requirements. The Organization's contributions are discretionary, and were \$5,175 and \$4,959 for the years ended December 31, 2019 and 2018, respectively. At both December 31, 2019 and 2018, 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 8 — 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	\$ 550,522
Investments	6,235
Pledge receivables	176,331
Pledge receivable with donor restrictions	<u>(86,147)</u>
	<u>\$ 646,941</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.