prison entrepreneurship

program

2015 Annual Report

PEP BY THE NUMBERS IN 2015

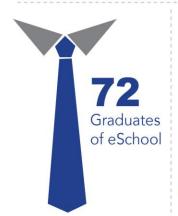
prison entrepreneurship

program



694
men served
New Record!





254
Men Welcomed Home
New Record!



Average wage

50% over minimum wage



100% Employment Rate within 90 days of release, for 5 consecutive years!





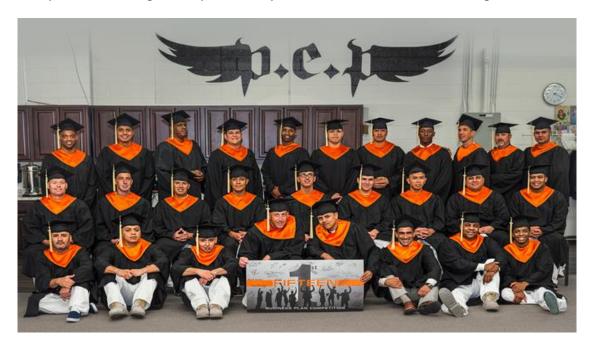
Recidivism less than 7%

Releasing Potential

Empowering Innovation

Transforming Communities

At PEP, we are servant leaders on a mission to transform inmates and executives by unlocking human potential through entrepreneurial passion, education and mentoring.



PEP completed another strong year in 2015 and we achieved a number of significant milestones:

- ♣ Despite challenges, we recruited the largest number of men in our history (481). As planned, our Leadership Academy expanded dramatically, and 359 men completed this important phase emphasizing character assessment and development.
- For the sixth consecutive year, we set a new record by graduating 201 men from the Business Plan Competition. We also honored another 72 graduates of eSchool (more than double the number in 2014) at celebration dinners in Houston and Dallas.
- A record 254 of our men were released in 2015, an increase of 72% over 2014, and more than 200 received some level of service by our re-entry team, also a record.
- For the fifth consecutive year, 100% of our active graduates secured their first job within 90 days of release, and the average starting wage remained 50% above minimum wage.
- ♣ Business formation strengthened, with at least 26 new businesses being formed. Six graduate-owned businesses reported generating over \$1 million in revenue in 2015.
- Recidivism remained very low, at just under 7% for the most recent cohort. Broader measures of success affirm the efficacy of our programming.

♣ While we fell short of our total 2015 fundraising goals, we nonetheless made significant strides in shifting to an emphasis on individual giving. We also dramatically increased volunteer engagement, both in prison and outside, to support successfully our expansion at the Estes Unit near Dallas / Ft. Worth.

We begin 2016 on a powerful trajectory of growth, with sufficient cash and pledges to finance operations for at least 10 months and with strong momentum for continuing to facilitate transformative change in the lives of our men, their families and our communities. However, we know that with a difficult energy market and uncertain investment markets, our efforts to continue to support our growth and expansion may be challenging in the next few years.

OPERATIONS

Recruiting

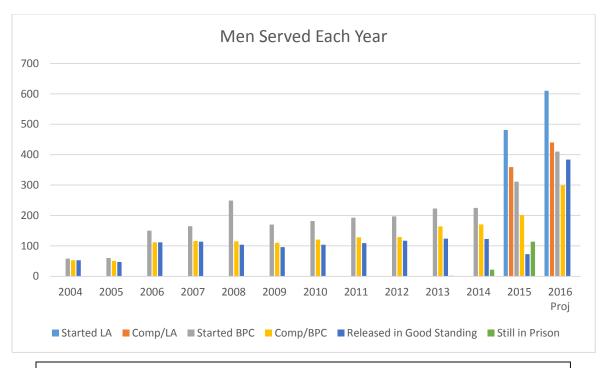
In 2015, we accepted the most men, transferred the most men, and graduated the most men in PEP's history. These achievements, however, mask the challenges we faced in recruiting during the year, in which the available candidates (all less than 4 years from their Max Release Date) shrunk, in part due to a 14% decline in the total number of men within 4 years of release.

Prison Recruiting 2015 Figures

	Goal	Actual	Percentage
Post Card Mailed	9,000	7,272	81%
Requests for Applications	2,600	2,170	83%
Applications Received	2,100	1,707	81%
Prisons Visited	100	108	108%
Men Interviewed	2,400	1,319	55%
Men Accepted	640	581	91%
Men Transferred	520	465	89%

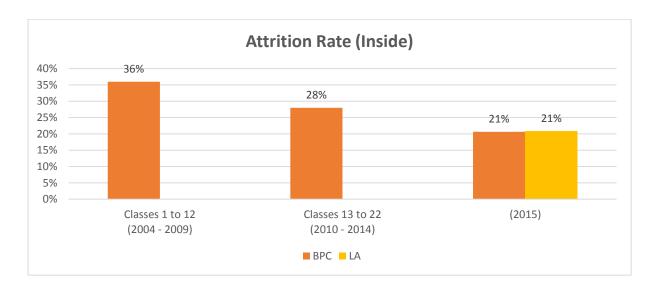
In-Prison Program

Most of our in-prison numbers were affected by the recruiting numbers, especially the number of men accepted and transferred. At Cleveland, we enrolled a high number of men who were already assigned to the Cleveland unit. Apparently, they applied to PEP so that they would be allowed to stay on the unit, considered one of the more comfortable ones in TDCJ. Once class started, the majority of those men quit, which drove our attrition rate up.



"LA" = Leadership Academy, the first 3 months of PEP, focusing on character development.

"BPC" = Business Plan Competition, the next 6 months in PEP, in which the men study business and develop complete business plans.



"Attrition" calculations include men who either quit or were removed from PEP, not men who were released on parole prior to completing PEP.

Re-Entry & Employment

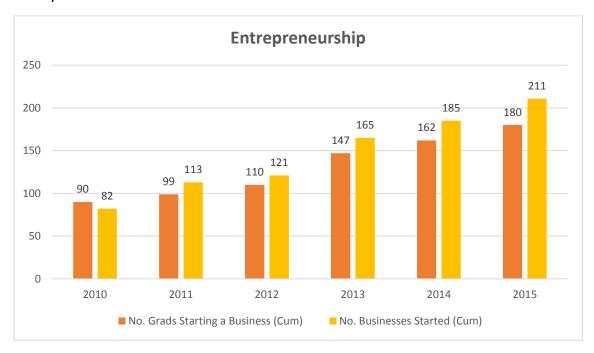
Re-entry was very busy for us: 254 men were released in 2015, an increase of 106 (72%) over 2014. Forty-three men (17%) elected not to continue a relationship with us on the outside; most of these men were released early, before they had a chance to complete our program.

A total of 210 men received re-entry services in 2015. Of those, 142 men (68%, about average) came to one of our transition houses, which maintained an average occupancy of about 80%. A record 72 men received alumni status (completed *e*School) last year. The average days-to-employment was only 24, days and the average starting wage was \$11.14 for all those who keep in contact with us, regardless of how far they got with PEP on the inside. We set the goal for 2015 to achieve 100% employment within 45 days of release. However, we only achieved 87% employment within 45 days while we maintained 100% employment within 90 days.



Business Formation

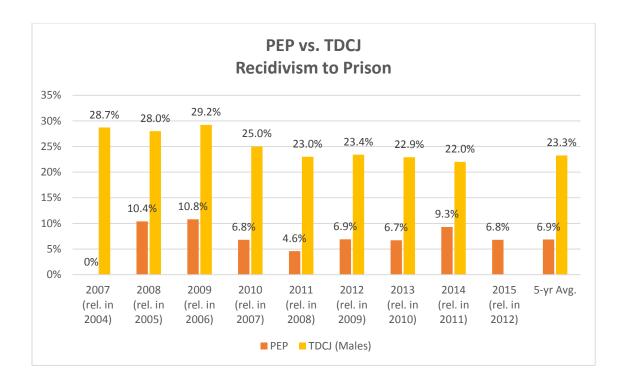
Business formation climbed steadily in 2015. Twenty-six new businesses were recorded last year, bringing the total to 211. Six businesses started by PEP graduates reported generating over \$1 million in gross revenue last year.



Recidivism

Recidivism rates are generally calculated on a three-year basis; each year that is reported is looking retrospectively at the men who were released three years earlier and calculating the percentage of that cohort who committed a new crime and returned to State custody. The annual recidivism rate throughout the U.S. is about 50%, and the recidivism rate for inmates released from *all* Texas facilities (including not only State prisons, where PEP graduates are held, but State jail, ISF, and all other State facilities) is about 48%.

As illustrated below, the rate at which PEP graduates commit a new crime and return to prison within 3 years of release has consistently been much lower than that of men released from Texas prisons without the benefit of PEP. Over the most recent 5 year period for which data are available, the PEP recidivism rate is 70% less than the general Texas prison recidivism rate for males.



Economic Self-Sufficiency and Family Health

For the most part, PEP graduates continue to increase their personal compensation the longer they are out of prison........



The financial health, stability and confidence of our men are also improving by other measures. By our latest annual survey of graduates, we know that:

- ✓ The percentage with a checking account increased from 30% to 81% within one year of release;
- ✓ The percentage with a savings account increased from 21% to 69% within one year of release;
- ✓ Only 5% of our men had used a pay-day loan within the past 90 days; and

Releasing Potential

✓ Of all our men who have been out of prison at least six months and have not already started a business, 49% said they were working on starting one.

In addition, building strong families remains a priority. From the same survey, 45% are married or in a serious relationship. And even though many PEP fathers are living in different homes (and often different cities) than their children, 57% of our released graduates with children report seeing their children at least once per month.

DEVELOPMENT

Total donations in 2015 were 20% below our aggressive goal and 6% below 2014 actual receipts. Nonetheless, we made significant gains over 2014. Especially notable are the gains in the number of total unique donors (3%), new donors (10%), PEP Partners (29%), and total PEP Partners' monthly contributions (25%). For the second consecutive year, one in four gifts to PEP came from a PEP graduate. We also maintained significant support from our leadership, with 76% of our Governing and Advisory Board members contributing, directing or influencing an aggregate of almost \$720,000 in donations. Also significant, and following the expansion of the program at Estes, are increases in the total prison visits by Executive Volunteers (26%), unique in-prison Executive Volunteers (32%) and Business Plan Advisors (110%).

COMMUNITAS AUTO GROUP

As part of our long-term strategy to build for-profit businesses to provide sustainable sources of earned income as well as quality jobs and careers to our graduates, in 2015, PEP's subsidiary, Communitas Auto Group (CAG), opened the first two stores for Auto Lab of Texas, a multi-state franchisor of complete, general auto repair shops. Both CAG stores are in the Northwest Houston area, near the route of the new Grand Parkway. The stores are moving toward break even status after about six months of operation. The site for the third store, just north of The Woodlands in Montgomery County, has been acquired and the plan is to open that store by the end of 2016.

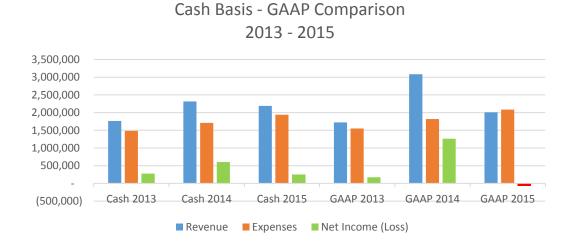


Releasing Potential

Empowering Innovation

Transforming Communities

Even though we fell short of our fundraising goals for 2015, we were able to control expenses and finish the year with modest positive net income on a cash basis and a small loss on a GAAP (accrual) basis.



2015 is the fourth consecutive year that PEP finished with a cash surplus. PEP ended 2015 with cash on hand and pledges sufficient to cover operating costs through October 2016.

Releasing Potential

Our goals for 2016 are ambitious, once again.

- To start a new Leadership Academy at a 3rd unit in Texas
- To serve >610 men and graduate >440 men in 3 Leadership Academies
- To serve >410 men and graduate >299 men from BPC at Cleveland and Estes
 - Means more Families at graduations (1200+), more Children in Xmas Project (300+), more Employers, etc.
- ➤ To challenge each BPC Class to achieve the lowest attrition ever -- < 10%
- To replace / increase available transition housing in Houston
- > To support the formation and success of >20 businesses by PEP graduates

In aid of these goals, we will also need:

- > To recruit >700 Executive Volunteers to attend > 1,600 times
- > To have enlisted >220 PEP Partners by year end
- To submit >240 grant proposals
- > To attract >850 unique donors
- To receive >**2,700** gifts for **\$2,369,000** (+10% vs. 2015)

Communitas Auto Group will also be working:

- > To bring our first two stores into profitability
- > To recruit, hire and train additional qualified PEP graduates
- To open at least 1 more Auto-Lab Complete Car Care Center

CONCLUSION

We will need to continue to work smart and hard. We remain prayerful and hopeful that all the human, financial and other resources required will be available to us, as and when we need them. The insights and stewardship that our donors, supporters, volunteers, mentors, and friends provide are enormous blessings to PEP and the men it serves, and we are grateful for all the support.

Prison Entrepreneurship Program Consolidated Financial Statements

	Bal	lance	S	heet
--	-----	-------	---	------

		Actual	Actual	Actual
		Unaudited	Audited	Audited
	_	12/31/2015	12/31/2014	12/31/2013
Cash		1,486,819	1,504,722	1,030,955
Receivables		582,669	880,332	202,949
Prepaids, deposits, other		75,710	51,977	14,908
PPE		1,304,145	1,022,705	578,627
Accum Depr		(307,482)	(242,899)	(227,990)
Minority investment in subs		17,438	18,045	-
Total assets	_	3,159,299	3,234,882	1,599,449
	_			
Accounts payable		51,200	50,276	19,406
Accrued salaries and taxes		50,610	36,797	34,195
LT Debt - Current Maturities		14,000	13,008	5,234
LT Debt - Later		477,051	492,074	161,070
Total liabilities	_	592,861	592,155	219,905
Net assets, beginning		2,642,727	1,379,544	1,207,769
Current year change	_	(76,290)	1,263,183	171,775
Total net assets	_	2,566,437	2,642,727	1,379,544
Total liabilities & net assets	=	3,159,298	3,234,882	1,599,449
Operations				
	Budget	Actual	Actual	Actual
		Unaudited	Audited	Audited
	12 mos 2016	12 mos 2015	12 mos 2014	12 mos 2013
Support	2,354,000	1,791,391	2,846,507	1,519,074
Rental income	198,000	175,612	124,809	76,700
Interest and other income	35,800	37,477	52,642	35,352
In-kind	15,000	77,192	108,678	92,281
Total support & revenue	2,602,800	2,081,673	3,132,636	1,723,407
Program	2,053,438	1,780,765	1,557,040	1,164,595
Fundraising	229,217	176,388	152,901	214,121
Administrative	228,175	200,810	159,512	172,916
Total expenses	2,510,830	2,157,963	1,869,453	1,551,632
Change in net assets	91,970	(76,290)	1,263,183	171,775
Net assets, beginning	2,566,437	2,642,727	1,379,544	1,207,769
Net assets, ending	2,658,407	2,566,437	2,642,727	1,379,544
· =				

ADVISORY BOARDS

National Advisory Board

Robert Barkley

Principal at Barrow, Hanley, Mewhinney & Strauss, Inc.

Gregory Fairchild

University of Virginia - Darden MBA Program

Bob Graham

Ret. Chairman, AIM Management

Ken Jones

Ken Jones Partners

Noah Kramer

Head of Business Development, HG Vora Capital Management

Jerry Madden

Senior Fellow, Right on Crime

Paul Morris

President, SupportFocus, Inc.

Jeff Smith

Assistant Professor of Politics, The New School

North Texas Advisory Board

Keith Berry

General Manager, Hazel's Hot Shot

Keith Bird

VP, Global Engineering & Manufacturing Strategy, Alcon

Marc Birnbaum

CEO, MAB Investments

Timothy Black

Oracle Corporation

David Blanchard

Voya Financial

Robert Callahan

Hewlett-Packard Co. (Retired)

Javier Creixell

Trinity Fiduciary Partners

Ken Dunham

Vice President, HR, Rogers-O'Brien Construction Co.

Ivan Giraldo

Clean Scapes, LP

Pat Gotcher

CEO, OptimaMinds

Steve Hausman

President, Advance Business Capital

Kyle Henderson

Pastor, First Baptist Church Athens

Steven J. Heussner

Co-Founder and Chairman, Mogul Wealth Strategies, LLC

Jim Holloway

Owner, hGroup

Mabrie Jackson

Director of Community Affairs, HEB Central Market

Annie Lord

VP--Community Development Officer, Citi

Lynn Newman

McCaslin Barrow Henderson, LLC

David Rains

Commercial Finance Consultants

John Selzer

Septariate,LLC

Linda Thomas

 $PR\ Incorporated$

Houston Advisory Board

Bruce Anderson

Managing Partner, Thinking Partners, Inc.

Alison Brock

Chief of Staff, Mayor Sylvester Turner

Daniel Cahill

Cahill & Vela PLLC

Dougal Cameron

Cameron Management

Mike Coffey

Intex Commercial Flooring

Sandi Dillon

Corporate Development Specialist

Karen El-Tawil

TGS-NOPEC Geophysical (Retired)

Genie Erneta

VP of Human Resources, TGS-NOPEC Geophysical

Jon Goodale

Goodale Exploration LLC, and Group Chair at Leaven Exchange

John Harrell

Deloitte (Retired)

Dave Jacobs

TechKnowledge Consulting

Jaime Josefson

Greenstream International

Melvin Maltz

Sr. Account Manager, Lone Star Advisory Group

Keith McJunkin

President, McJunkin & Associates, Inc.

Guillermo Mendoza

Impact Coaching Solutions

Bill Miller

Ret., Goldman, Sachs & Co.

Ben Morris

Former CEO, Sanders Morris Harris

Monte Pendleton

Business Mentor, Silver Fox Advisors

Lauren-Kristine Pryzant

Mercury Fund

Alan Stewart

Executive Director & Treasurer, The Cullen Foundation

Thomas Suffield

Managing Director, OFS Capital

Jay Wall

Senior Vice-President, Moody Rambin

Scott Wesley

Project Manager, Marek Brothers Construction

Nancy White

Timex Corporation (Retired)

J. Wayne Wisniewski

Vice President of Operations, Eagle Energy Trust

LEADERSHIP

GOVERNING BOARD

100% donate to PEP.

Mike Humphrey, Chair

Chairman, Communitas Auto Group

Dr. Gary Carini

Associate Dean of Graduate Studies, Baylor University

Brandon Holcomb

Vice President-Investment Management Division, Goldman, Sachs, and Co.

John Jackson*

Individual Investor

Roger Manny

EVP and CFO, Range Resources Corporation

Bill Meyer, Secretary*

Technology Finance Executive, Meyer Consulting

Britanie Olvera

President/Owner, B.I.T. Construction Services, Inc.

*Audit Committee

STAFF

100% donate to PEP. Over 75% of our full-time staff members are graduates of our program.

<u>Leadership</u>

Bert Smith, CEO
Phi Tran, COO
Tim Hamilton, CFO
Tony Mayer, CDO
Victio Wicziowski, Chief of

Kristie Wisniewski, Chief of Staff

Development

Charles Hearne, Executive Relations Manager, Houston Bryan Kelley, Executive Relations Manager, Dallas Chase Mayr, Development Associate

Administration

Edison Nguyen, IT Specialist Terri Addington, Bookkeeper

Family Reunification

Theresa Black, Family Liaison* Laura Stiehl, Family Liaison* Sandra Jasso, Family Liaison* In-Prison

Pat McGee, Manager of Prison Initiatives Michael Potts, In Prison Manager, Cleveland Gami Jasso, In Prison Manager, Estes Brian Troy, In Prison Instructor, Estes Marcus Hill, Prison Recruiter

Re-Entry

Houston Team
Richard Cantu, Re-entry Manager
Harvey Mai, Transition Coordinator
Manny Rodriguez, Transition Coordinator
Cesilio Venegas, Transition Coordinator

Dallas Team

Jason Moore, Re-Entry Manager Aaron Constante, Transition Coordinator Arthur Stewart, Transition Coordinator

* Part-time employees

CONTACT US

Web Site: <u>www.PEP.org</u>

<u>@PEPtweets</u>

Blog: <u>www.iWasInPrison.com</u>

FB.com/PrisonEntrepreneurship

Email: Info@PEP.org LinkedIn.com/groups?home=&gid=137266

Rethink Prison

www.PEP.org



Bennie C. graduated from PEP near the end of his 20 year sentence and is now living, working and running his new business in Dallas. Joining him at his graduation were his brother, David, a 2009 graduate of PEP, and David's family.