

**PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2015 AND 2014**

**PRISON ENTREPRENEURSHIP PROGRAM
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Prison Entrepreneurship Program
Houston, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements, which comprise the consolidated statements of financial position of Prison Entrepreneurship Program (the Organization), as of December 31, 2015 and 2014, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditors' 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 Organization'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 Organization'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 Prison Entrepreneurship Program as of December 31, 2015 and 2014 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 and 18 is presented for purposes of additional analysis and is 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 information has been subjected to the auditing procedures applied in the audit 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 is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

The accompanying supplementary information shown on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the basic Organization's consolidated financial statements. Such information has not been subjected to auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.

Handwritten signature in cursive script: Carlos Taborda & Company, P.C.

July 26, 2016

PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$1,524,956	\$1,504,722
Receivables	605,699	880,332
Prepaid expenses, deposits and other assets	24,451	51,977
Property and equipment, net of accumulated depreciation and amortization of \$176,077 in 2015 and \$242,899 in 2014	993,556	779,806
Investments in closely held entities	<u>17,685</u>	<u>18,045</u>
Total Assets	<u>\$3,166,347</u>	<u>\$3,234,882</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 54,206	\$ 50,276
Accrued salaries and payroll taxes	50,610	36,797
Long-term debt		
Due currently	13,668	13,008
Due afterwards	<u>477,995</u>	<u>492,074</u>
Total liabilities	<u>596,479</u>	<u>592,155</u>
NET ASSETS		
Unrestricted	1,987,385	1,784,640
Temporarily restricted	<u>582,483</u>	<u>858,087</u>
Total net assets	<u>2,569,868</u>	<u>2,642,727</u>
Total Liabilities and Net Assets	<u>\$3,166,347</u>	<u>\$3,234,882</u>



The accompanying notes are an integral part of these financial statements.

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support	\$ 1,260,157	\$ 546,765	\$ 1,806,922	\$ 1,473,420	\$ 1,373,087	\$ 2,846,507
Rental income	175,012	-	175,012	137,349	-	137,349
Interest and other income	45,805	-	45,805	52,642	-	52,642
In-kind support	<u>77,192</u>	<u>-</u>	<u>77,192</u>	<u>108,678</u>	<u>-</u>	<u>108,678</u>
Total support and revenue	1,558,166	546,765	2,104,931	1,772,089	1,373,087	3,145,176
RELEASE OF RESTRICTIONS	<u>822,369</u>	<u>(822,369)</u>	<u>-</u>	<u>710,000</u>	<u>(710,000)</u>	<u>-</u>
Total support, revenue and releases	<u>2,380,535</u>	<u>(275,604)</u>	<u>2,104,931</u>	<u>2,482,089</u>	<u>663,087</u>	<u>3,145,176</u>
OPERATING EXPENSES						
Program	1,813,255	-	1,813,255	1,569,580	-	1,569,580
Fundraising	180,831	-	180,831	152,901	-	152,901
Administrative	<u>183,704</u>	<u>-</u>	<u>183,704</u>	<u>159,512</u>	<u>-</u>	<u>159,512</u>
Total expenses	<u>2,177,790</u>	<u>-</u>	<u>2,177,790</u>	<u>1,881,993</u>	<u>-</u>	<u>1,881,993</u>
INCREASE (DECREASE) IN NET ASSETS	202,745	(275,604)	(72,859)	600,096	663,087	1,263,183
NET ASSETS						
BEGINNING OF YEAR	<u>1,784,640</u>	<u>858,087</u>	<u>2,642,727</u>	<u>1,184,544</u>	<u>195,000</u>	<u>1,379,544</u>
END OF YEAR	<u>\$ 1,987,385</u>	<u>\$ 582,483</u>	<u>\$ 2,569,868</u>	<u>\$ 1,784,640</u>	<u>\$ 858,087</u>	<u>\$ 2,642,727</u>

PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
INCREASE (DECREASE) IN CASH

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ <u>(72,859)</u>	<u>\$1,263,183</u>
Adjustments		
Donated stocks	(57,746)	(73,146)
Donated investments	-	(18,045)
Donated vehicles	(3,000)	(10,331)
Loss on sale of donated stocks	2,251	12,575
Depreciation and amortization	77,699	48,767
Loss on fixed asset dispositions	471	818
Changes in		
Receivables	276,633	(677,383)
Prepaid expenses, deposits and other assets	27,526	(37,069)
Accounts payable and accrued liabilities	3,930	30,870
Accrued salaries and payroll taxes	<u>13,813</u>	<u>2,602</u>
Total adjustments	<u>341,577</u>	<u>(720,342)</u>
Net cash provided by operating activities	<u>268,718</u>	<u>542,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of donated stocks	55,495	60,571
Proceeds from sales of equipment	8,500	2,000
Change in investments, net	360	-
Purchase of property and equipment	<u>(299,420)</u>	<u>(120,423)</u>
Net cash used by investing activities	<u>(235,065)</u>	<u>(57,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	<u>(13,419)</u>	<u>(11,222)</u>
Net cash used by financing activities	<u>(13,419)</u>	<u>(11,222)</u>
NET INCREASE IN CASH	20,234	473,767
CASH BEGINNING OF YEAR	<u>1,504,722</u>	<u>1,030,955</u>
CASH END OF YEAR	<u>\$1,524,956</u>	<u>\$1,504,722</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ORGANIZATIONAL

Prison Entrepreneurship Program (PEP) is organized under the California Nonprofit Public Benefit Corporation Law for charitable purposes. Its mission is to transform inmates and executives by unlocking human potential through entrepreneurial passion, education and mentoring. This enables the inmates to productively re-enter society. This concept of connecting executives and inmates to produce consequential change in society was developed in May 2004.

During 2010, PEP established a wholly-owned subsidiary, Houston Caleb House, LLC (HCH), to purchase property to be used as reliable housing available to participants upon their release. The financial position, results of operations and cash flows of HCH are consolidated with PEP in the consolidated financial statements as of and for the years ended December 31, 2015 and 2014.

During 2011, PEP established a wholly-owned subsidiary, Communitas Ventures, Inc. (CVI), to provide back office support for PEP participant businesses. Activities for CVI commenced in 2013. CVI was organized in the state of Texas as a for-profit company and is subject to income taxes. The financial position, results of operations and cash flows of CVI are consolidated with PEP in the consolidated financial statements as of and for the years ended December 31, 2015 and 2014. CVI is an investor in Communitas Auto Group LLC as more fully described in the Investments note on page 12.

PEP, HCH and CVI are collectively referred to as the Organization.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All intercompany amounts have been eliminated in consolidation.

Financial Statement Presentation - The Organization presents its consolidated financial statements under the provisions for accounting for financial statements of not-for-profit organizations. Under the provisions, the Organization is required to report information on its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Support - The Organization also follows the provisions for contributions received and contributions made. Accordingly, unconditional contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services - The impact of the Organization is multiplied many times over through the efforts of its executive volunteers and business plan advisors who annually donate significant time to the Organization's mission. Additionally, the Organization's on-unit activities are possible only with the gracious support of the Texas Department of Criminal Justice and its partnerships with The GEO Group, Inc. and Management & Training Corporation. No amounts have been recorded in the consolidated financial statements for these donations, in accordance with current accounting standards.

Cash - For purposes of the statement of cash flows, the Organization considers as cash, all cash on hand and all highly liquid investments with maturities of three months or less.

Receivables - Receivables include unconditional promises to give and other loans. Promises to give that are expected to be collected in more than a year have been discounted to reduce the expected cash flow to present value. Conditional promises to give are not recorded as contributions until the condition is met.

Property and equipment - Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment is carried at cost, or if donated, at the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful life of the asset, ranging from 2 to 28 years. Repairs and maintenance are charged to expense as incurred.

Investments in closely held entities - Investments in closely held entities are carried at cost.

Long-Lived Assets - The Organization's long-lived assets are evaluated for impairment in accordance with authoritative guidance which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. No impairment was noted during the years ended December 31, 2015 and 2014.

Estimates - The preparation of financial statements with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated. The most critical estimates are for the realization of receivables, the allocation of expenses by function, and depreciation.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements - The financial statements are presented under the authoritative guidance regarding Fair Value Measurements. The guidance establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurement. In accordance with the guidance, the Organization classifies its investments into Level 1, which refers to securities traded in an active market, Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 3 securities where there is a contractual restriction, and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available. As required by the guidance, the Organization's investment portfolio based on fair values at December 31, 2015 and 2014 are categorized according to these classifications. Additionally, the fair value guidance allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an entity elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for measurement of any other eligible assets or liabilities. The Organization's financial instruments (primarily cash, receivables, payables and long-term debt) are carried in the accompanying statement of financial position at amounts which reasonably approximate fair value.

Federal Income Taxes - PEP is a nonprofit, tax-exempt, charitable organization, under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been included in these financial statements for PEP or its wholly-owned subsidiary HCH. CVI is a for-profit entity subject to income tax. CVI has net operating loss carryforwards of approximately \$19,600; therefore, no provision for income taxes has been recorded. Deferred tax assets related to these net operating loss carryforwards are fully reduced by a valuation allowance as it is uncertain that these deferred tax assets will be realized.

The Organization reviews and assesses its tax positions taken or expected to be taken in its tax returns. Based on this assessment, the Organization determines whether it is more likely than not that the positions would be sustained under examination by the tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination. The Organization is no longer subject to Federal tax examinations by the tax authorities for years before 2012.

Allocation of Expenses - Expenses have been allocated by function based on management's estimates.

Reclassifications - Certain amounts from 2014 have been reclassified to conform to the current year presentation.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CASH

Cash includes cash at the bank and cash on hand. A summary of cash at December 31 follows:

	<u>2015</u>	<u>2014</u>
Checking and saving	\$ 342,798	\$1,312,001
Sweeps and other	<u>1,182,158</u>	<u>192,721</u>
Total	<u>\$1,524,956</u>	<u>\$1,504,722</u>

RECEIVABLES

Receivables consist of unconditional promises to give and sundry loans. A summary of receivables at December 31 follows:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give	\$592,467	\$858,087
Loans and other receivables, net	<u>13,232</u>	<u>22,245</u>
Total	<u>\$605,699</u>	<u>\$880,332</u>

Promises to give are considered fully collectible, hence no allowance for uncollectible pledges is considered necessary.

Conditional promises to give as of December 31, 2014 amounted to \$250,000. There were no conditional promises to give as of December 31, 2015.

PROPERTY AND EQUIPMENT

A summary of property and equipment together with their accumulated depreciation and amortization at December 31 follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 213,570	\$ 213,570
Buildings and leasehold improvements	663,685	503,499
Equipment and furniture	217,475	203,470
Vehicles	<u>74,903</u>	<u>102,166</u>
Total cost or donated value	1,169,633	1,022,705
Less accumulated depreciation and amortization	<u>176,077</u>	<u>242,899</u>
Property and equipment, net	<u>\$ 993,556</u>	<u>\$ 779,806</u>

Depreciation expense amounted to \$77,699 and \$48,767 for the years ending December 31, 2015 and 2014, respectively. These amounts are included in depreciation and initiative expenses in the accompanying consolidated schedules of functional expenses.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INVESTMENTS IN CLOSELY HELD ENTITIES

A summary of investments in closely held entities at December 31 follows:

	<u>2015</u>	<u>2014</u>
Limited liability company	\$ 17,685	\$ 18,045
Subsidiary	<u>-</u>	<u>-</u>
Total	<u>\$ 17,685</u>	<u>\$ 18,045</u>

The limited liability company (LLC) investment consists of an 11.11% interest in a Texas LLC that was donated to PEP during the year ended December 31, 2014. The LLC's primary assets are two secured loans to the Organization. For tax purposes the LLC reports its activities to the taxing authorities as a partnership. At December 31, 2015 and 2014, the carrying value of the investment approximates PEP's interest in the LLC's equity.

The investment in subsidiary consists of CVI's 100% common ownership interest in Communitas Auto Group LLC (CAG), an auto repair business. CAG also has two Series A Preferred Shareholders, one of whom is related to PEP. All capital contributions to CAG were made by the related Preferred Shareholder. Based upon the terms of the CAG Company Agreement, CAG is majority controlled by the Preferred Shareholders. CVI is accounting for its interest in CAG's common shares on the cost basis, which is zero, as CVI does not exercise control over CAG. CAG's Company Agreement provides for a redemption of the preferred shares over a five-year period beginning in 2021.

CAG is the sole owner of three subsidiary LLC's, each representing an auto repair location. Two locations are in northeast Harris County, Texas and began operations in 2015. The third location is in Montgomery County, Texas and had no operations in 2015. The real property for each of the three locations is owned indirectly by the related Preferred Shareholder.

Condensed, unaudited, consolidated financial statements for CAG are included in the Supplementary Information on pages 19 and 20.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

LONG-TERM DEBT

A summary of long-term debt at December 31 follows:

	2015	2014
Note payable to a bank in original principal amount of \$350,000, due in monthly installments of \$2,061 and one balloon payment of \$312,439; bearing interest at 5.0%; maturing February 3, 2019	\$ 336,135	\$ 344,012
Note payable to a third party in original principal amount of \$100,000, due in monthly installments of \$702 and one balloon payment of \$64,662; bearing interest at 5.75%; maturing May 10, 2022	89,384	92,569
Note payable to a third party in original principal amount of \$74,000, due in monthly installments of \$520 and one balloon payment of \$47,850; bearing interest at 5.75%; maturing May 10, 2022	66,144	68,501
Total	\$ 491,663	\$ 505,082

The notes payable are collateralized by the Organization's real property with a net carrying value of \$726,590 and \$661,611 at December 31, 2015 and 2014, respectively.

The minimum future payments on the notes payable are as follows:

Year-ending	Principal	Interest	Total
2016	\$ 13,668	\$ 25,718	\$ 39,386
2017	14,468	24,918	39,386
2018	15,262	24,124	39,386
2019	318,378	10,369	328,747
2020	7,383	7,276	14,659
2021-2022	122,504	9,556	132,060
Total	\$ 491,663	\$ 101,961	\$ 593,624

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 are subject to a time restriction.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUPPORT

A summary of donations recognized during the years ended December 31 follows:

	<u>2015</u>	<u>2014</u>
Foundations	\$ 1,020,234	\$ 2,153,241
Individuals and participants	471,765	472,324
Corporations	203,340	106,042
Board members	<u>111,583</u>	<u>114,900</u>
Total	<u>\$ 1,806,922</u>	<u>\$ 2,846,507</u>

IN-KIND SUPPORT

A summary of in-kind support recognized during the years ended December 31 follows:

	<u>2015</u>	<u>2014</u>
Stock contributed from Board members	\$ 57,630	\$ 73,000
Investment in partnership	-	18,045
Vehicles	3,000	10,331
Professional services and supplies	16,445	7,157
Stock contributed from an individual	<u>117</u>	<u>145</u>
Total in-kind support	<u>\$ 77,192</u>	<u>\$ 108,678</u>

The stocks that were contributed in 2015 and 2014 were sold in the year they were contributed.

OPERATING LEASE AGREEMENTS

The Organization has entered into non-cancelable operating lease agreements for the rental of its office facility and certain equipment. Minimum future rentals, on an annual basis, are as follows:

Year ending December 31,	<u>Facilities</u>	<u>Equipment</u>
2016	\$ 69,792	\$ 8,272
2017	53,664	8,272
2018	<u>13,464</u>	<u>4,825</u>
Total	<u>\$ 136,920</u>	<u>\$ 21,369</u>

Lease expenses during 2015 and 2014 amounted to \$68,208 and \$59,278, respectively. These amounts are included in contractual services in the accompanying consolidated schedules of functional expenses.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RELEASES

Temporarily restricted support has been released from the related restriction by the realization of funds or by making specific expenditures.

ADDITIONAL CASH FLOW INFORMATION

Non-cash transactions affecting investing and financing activities for the year ended December 31, 2014 follows:

Purchase of property and equipment	\$ 470,423
Purchase financed with new borrowings at closing	<u>(350,000)</u>
Net cash used for property purchases	<u>\$ 120,423</u>

SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 26, 2016 which is the date the consolidated financial statements were available to be issued. Based on this evaluation, no adjustments are required to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 797,138	\$ 122,069	\$ 123,855	\$ 1,043,062
Automobile and transportation	43,805	-	-	43,805
Benefits	104,241	15,963	16,196	136,400
Contractual				
Leasing	52,127	7,982	8,099	68,208
Utilities	6,757	1,035	1,049	8,841
Communications	24,163	3,700	3,755	31,618
Other	79,605	12,190	12,369	104,164
Depreciation	19,755	3,025	3,070	25,850
Educational	38,543	-	-	38,543
Housing expenses	150,698	-	-	150,698
Initiative expenses including \$51,849 of depreciation				
Business plan competition	161,747	-	-	161,747
Re-entry and development programs	157,335	-	-	157,335
Family programs	13,262	-	-	13,262
Interest	27,519	-	-	27,519
Office supplies and expenses	30,398	4,655	4,723	39,776
Participant events	11,791	-	-	11,791
Payroll taxes	62,967	9,642	9,784	82,393
Staff training and appreciation	5,047	353	804	6,204
Travel	11,147	217	-	11,364
Other expenses	<u>15,210</u>	<u>-</u>	<u>-</u>	<u>15,210</u>
	<u>\$ 1,813,255</u>	<u>\$ 180,831</u>	<u>\$ 183,704</u>	<u>\$ 2,177,790</u>

PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 673,737	\$ 97,379	\$ 95,428	\$ 866,544
Automobile and transportation	33,419	-	-	33,419
Benefits	104,368	15,085	14,782	134,235
Contractual				
Leasing	46,089	6,661	6,528	59,278
Utilities	5,170	747	733	6,650
Communications	25,420	3,674	3,601	32,695
Other	93,899	13,572	13,299	120,770
Depreciation	17,314	4,540	4,449	26,303
Educational	16,399	-	-	16,399
Housing expenses	111,730	-	-	111,730
Initiative expenses including \$22,464 of depreciation				
Business plan competition	131,821	-	-	131,821
Re-entry and development programs	148,002	-	-	148,002
Family programs	17,037	-	-	17,037
Interest	24,043	-	-	24,043
Office supplies and expenses	19,887	3,229	3,165	26,281
Participant events	12,381	-	-	12,381
Payroll taxes	55,090	7,962	7,803	70,855
Staff training and appreciation	5,149	-	786	5,935
Travel	17,280	52	-	17,332
Other expenses	<u>11,345</u>	<u>-</u>	<u>8,938</u>	<u>20,283</u>
	<u>\$ 1,569,580</u>	<u>\$ 152,901</u>	<u>\$ 159,512</u>	<u>\$ 1,881,993</u>

PRISON ENTREPRENEURSHIP PROGRAM

CONDENSED, UNAUDITED CONSOLIDATED BALANCE SHEETS OF COMMUNITAS AUTO GROUP LLC

DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Current Assets		
Cash	\$ 100,043	\$ 73,130
Accounts receivable	-	67,500
Inventory	20,119	-
Prepaid expenses and other	3,952	124,409
Total Current Assets	124,114	265,039
Property and Equipment		
Equipment	318,492	-
Leasehold improvements	144,105	-
Land	-	366,806
Other	71,715	617
Accumulated depreciation	(65,892)	-
Total Property and Equipment	468,420	367,423
Other Assets		
Start up costs	423,780	423,780
Franchise rights	110,000	93,333
Other	24,261	27,231
Accumulated amortization	(21,421)	-
Total Other Assets	536,620	544,344
Total Assets	\$1,129,154	\$1,176,806
Liabilities		
Accounts payable	\$ 35,555	227
Accrued liabilities	21,568	6,579
Note payable, short term	-	370,000
Current maturities of long-term notes payable	54,808	-
Total Current Liabilities	111,931	376,806
Notes payable, long-term	225,126	-
Total Liabilities	337,057	376,806
Equity		
Preferred shareholders	1,576,000	800,000
Common shareholder	-	-
Retained deficit	(783,903)	-
Total Equity	792,097	800,000
Total Liabilities and Equity	\$1,129,154	\$1,176,806

prison
 entrepreneurship
 program

The accompanying notes are an integral part of these financial statements.

PRISON ENTREPRENEURSHIP PROGRAM

CONDENSED, UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS OF COMMUNITAS AUTO GROUP LLC

FOR THE YEAR ENDED DECEMBER 31, 2015

Sales, net	\$ 322,486
Cost of goods sold	<u>307,020</u>
Gross Profit	<u>15,466</u>
Operating Expenses	
Advertising	115,711
Computer	9,163
Depreciation and amortization	87,313
Insurance	24,309
Interest	7,289
Legal	35,717
Opening costs	51,088
Other	44,546
Salaries & taxes	378,781
Shop supplies	9,709
Travel	14,499
Utilities	<u>21,244</u>
Total Operating Expenses	<u>799,369</u>
Net Loss	\$ <u>(783,903)</u>