PEP BY THE NUMBERS IN 2015

694 men served
New Record!

201 Graduates
New Record!

72 Graduates
of eSchool

254 Men Welcomed Home
New Record!

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

Average wage
50% over minimum wage

650 Unique Volunteers

655 Unique Donors

2,735 Donations

276 New Donors

26 new businesses
formed — six out of 211 report
over $1,000,000 in revenue

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.

<table>
<thead>
<tr>
<th>Prison Recruiting 2015 Figures</th>
<th>Goal</th>
<th>Actual</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Card Mailed</td>
<td>9,000</td>
<td>7,272</td>
<td>81%</td>
</tr>
<tr>
<td>Requests for Applications</td>
<td>2,600</td>
<td>2,170</td>
<td>83%</td>
</tr>
<tr>
<td>Applications Received</td>
<td>2,100</td>
<td>1,707</td>
<td>81%</td>
</tr>
<tr>
<td>Prisons Visited</td>
<td>100</td>
<td>108</td>
<td>108%</td>
</tr>
<tr>
<td>Men Interviewed</td>
<td>2,400</td>
<td>1,319</td>
<td>55%</td>
</tr>
<tr>
<td>Men Accepted</td>
<td>640</td>
<td>581</td>
<td>91%</td>
</tr>
<tr>
<td>Men Transferred</td>
<td>520</td>
<td>465</td>
<td>89%</td>
</tr>
</tbody>
</table>

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 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 eSchool) 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.

![Entrepreneurship Chart](chart)

**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

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- 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
✓ 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.
GOALS FOR 2016

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

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Actual Unaudited</th>
<th>Actual Audited</th>
<th>Actual Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12/31/2015</td>
<td>12/31/2014</td>
<td>12/31/2013</td>
</tr>
<tr>
<td>Cash</td>
<td>1,486,819</td>
<td>1,504,722</td>
<td>1,030,955</td>
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<tr>
<td>Receivables</td>
<td>582,659</td>
<td>880,332</td>
<td>202,849</td>
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<tr>
<td>Prepaids, deposits, other</td>
<td>75,710</td>
<td>51,977</td>
<td>14,908</td>
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<tr>
<td>PPE</td>
<td>1,304,145</td>
<td>1,022,705</td>
<td>578,627</td>
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<tr>
<td>Accum Depr</td>
<td>(307,432)</td>
<td>(242,899)</td>
<td>(227,990)</td>
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<tr>
<td>Minority Investment in subs</td>
<td>17,438</td>
<td>18,045</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>3,159,299</strong></td>
<td><strong>3,234,882</strong></td>
<td><strong>1,599,449</strong></td>
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<tr>
<td>Accounts payable</td>
<td>51,200</td>
<td>50,276</td>
<td>19,406</td>
</tr>
<tr>
<td>Accrued salaries and taxes</td>
<td>50,610</td>
<td>36,797</td>
<td>34,195</td>
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<tr>
<td>LT Debt - Current Maturities</td>
<td>14,000</td>
<td>13,008</td>
<td>5,234</td>
</tr>
<tr>
<td>LT Debt - Later</td>
<td>477,051</td>
<td>492,074</td>
<td>161,070</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>592,851</strong></td>
<td><strong>592,155</strong></td>
<td><strong>219,905</strong></td>
</tr>
<tr>
<td>Net assets, beginning</td>
<td>2,642,727</td>
<td>1,379,544</td>
<td>1,207,769</td>
</tr>
<tr>
<td>Current year change</td>
<td>(76,290)</td>
<td>1,263,183</td>
<td>171,775</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>2,566,437</strong></td>
<td><strong>2,642,727</strong></td>
<td><strong>1,379,544</strong></td>
</tr>
<tr>
<td><strong>Total liabilities &amp; net assets</strong></td>
<td><strong>3,159,298</strong></td>
<td><strong>3,234,882</strong></td>
<td><strong>1,599,449</strong></td>
</tr>
</tbody>
</table>

### Operations

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual Unaudited</th>
<th>Actual Audited</th>
<th>Actual Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 mos 2015</td>
<td>12 mos 2015</td>
<td>12 mos 2014</td>
<td>12 mos 2013</td>
</tr>
<tr>
<td>Support</td>
<td>2,354,000</td>
<td>1,791,391</td>
<td>2,846,507</td>
<td>1,519,074</td>
</tr>
<tr>
<td>Rental income</td>
<td>198,000</td>
<td>175,612</td>
<td>124,809</td>
<td>76,700</td>
</tr>
<tr>
<td>Interest and other income</td>
<td>35,800</td>
<td>37,477</td>
<td>52,642</td>
<td>35,352</td>
</tr>
<tr>
<td>In-kind</td>
<td>15,000</td>
<td>77,192</td>
<td>108,678</td>
<td>92,281</td>
</tr>
<tr>
<td><strong>Total support &amp; revenue</strong></td>
<td>2,602,800</td>
<td>2,081,673</td>
<td>3,132,636</td>
<td>1,723,407</td>
</tr>
<tr>
<td>Program</td>
<td>2,053,438</td>
<td>1,780,705</td>
<td>1,557,040</td>
<td>1,164,595</td>
</tr>
<tr>
<td>Fundraising</td>
<td>229,217</td>
<td>176,388</td>
<td>152,901</td>
<td>214,121</td>
</tr>
<tr>
<td>Administrative</td>
<td>228,175</td>
<td>200,810</td>
<td>159,512</td>
<td>172,916</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>2,510,830</td>
<td>2,157,953</td>
<td>1,869,453</td>
<td>1,551,632</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>91,970</td>
<td>(76,290)</td>
<td>1,263,183</td>
<td>171,775</td>
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Releasing Potential  
Empowering Innovation  
Transforming Communities
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J. Wayne Wisniewski  
Vice President of Operations, Eagle Energy Trust

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**Governor Board**

100% donate to PEP.

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*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.*

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*Individual Investor*

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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.

Leadership  
Bert Smith, CEO  
Phi Tran, COO  
Tim Hamilton, CFO  
Tony Mayer, CDO  
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*
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.