PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016

PRISON ENTREPRENEURSHIP PROGRAM
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Carlos Taboada & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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.

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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, 2017 and 2016 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 through 21 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.

Carlos Taboada & Company, P.C

June 29, 2018

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash	$ 1,661,886	$ 1,417,717
Short-term investments	250,000	450,030
Receivables	706,686	855,541
Prepaid expenses, deposits and other assets	40,537	26,282
Property and equipment, net of accumulated depreciation and amortization of $337,464 in 2017 and $254,633 in 2016	957,650	961,334
Investments in closely held entities	16,341	17,031
Total Assets	$ 3,633,100	$ 3,727,935
LIABILITIES		
Accounts payable and accrued liabilities	$ 86,343	$ 62,884
Accrued salaries and payroll taxes	120,729	49,852
Long-term debt		
Due currently	15,263	13,827
Due afterwards	447,589	463,526
Total liabilities	669,924	590,089
NET ASSETS		
Unrestricted	2,290,032	2,292,527
Temporarily restricted	673,144	845,319
Total net assets	2,963,176	3,137,846
Total Liabilities and Net Assets	$ 3,633,100	$ 3,727,935

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support	$ 1,743,703	$ 422,500	$ 2,166,203	$ 1,593,853	$ 1,063,681	$ 2,657,534
Rental income	227,843	-	227,843	217,688	-	217,688
Interest and other income	49,180	-	49,180	52,759	-	52,759
In-kind support	90,982	-	90,982	59,803	-	59,803
Total support and revenue	2,111,708	422,500	2,534,208	1,924,103	1,063,681	2,987,784
RELEASE OF RESTRICTIONS	594,675	(594,675)	-	800,845	(800,845)	-
Total support, revenue and releases	2,706,383	(172,175)	2,534,208	2,724,948	262,836	2,987,784
OPERATING EXPENSES						
Program	2,197,359	-	2,197,359	1,964,460	-	1,964,460
Fundraising	273,640	-	273,640	241,432	-	241,432
Administrative	237,879	-	237,879	213,914	-	213,914
Total expenses	2,708,878	-	2,708,878	2,419,806	-	2,419,806
INCREASE (DECREASE) IN NET ASSETS	(2,495)	(172,175)	(174,670)	305,142	262,836	567,978
NET ASSETS						
BEGINNING OF YEAR	2,292,527	845,319	3,137,846	1,987,385	582,483	2,569,868
END OF YEAR	$ 2,290,032	$ 673,144	$ 2,963,176	$ 2,292,527	$ 845,319	$ 3,137,846

prison entrepreneurship program

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

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

INCREASE (DECREASE) IN CASH

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (174,670)	$ 567,978
Adjustments		
Donated stocks	(29,603)	(44,245)
Donated vehicles	(7,200)	(5,499)
(Gain) loss on sale of donated stocks	121	(451)
Depreciation and amortization	98,983	87,885
Gain on fixed asset dispositions	(5,000)	(2,700)
Changes in		
Receivables	148,855	(249,842)
Prepaid expenses, deposits and other assets	(8,055)	(1,831)
Accounts payable and accrued liabilities	23,459	8,678
Accrued salaries and payroll taxes	70,877	(758)
Total adjustments	292,437	(208,763)
Net cash provided by operating activities	117,767	359,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of donated stocks	29,482	44,696
Proceeds from sales of equipment	6,000	8,199
Change in investments, net	200,720	(449,376)
Purchase of property and equipment	(95,299)	(55,663)
Net cash provided (used) by investing activities	140,903	(452,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(14,501)	(14,310)
Net cash used by financing activities	(14,501)	(14,310)
NET INCREASE (DECREASE) IN CASH	244,169	(107,239)
CASH BEGINNING OF YEAR	1,417,717	1,524,956
CASH END OF YEAR	$1,661,886	$1,417,717

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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 unite executives and inmates through entrepreneurial passion and servant leadership to transform lives, restore families and rebuild communities. 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, 2017 and 2016.

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, 2017 and 2016. 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 current 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. In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. Among other items, ASU 2016-14 changes the classes of net assets presented on the face of the statement of financial position from three to two (with donor restrictions and without donor restrictions) and requires presentation of expenses by both natural classification and functional classification. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization does not expect this amendment to have a material effect on its financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support - The Organization also follows the current 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.

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 partnership with 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 original 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, 2017 and 2016.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 1 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, 2017 and 2016 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, short-term investments, 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 $19,800; 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 2014.

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

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CASH

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

	2017	2016
Checking and saving	$ 260,947	$ 232,368
Sweeps and other	1,400,939	1,185,349
Total	$1,661,886	$1,417,717

SHORT-TERM INVESTMENTS

Short-term investments consists of certificates of deposit with original maturities greater than three months. A summary of short-term investments at December 31 follows:

	2017	2016
Maturing June 2018	$ 250,000	$ -
Maturing June 2017	-	225,000
Maturing July 2017	-	225,030
Total	$ 250,000	$ 450,030

RECEIVABLES

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

	2017	2016
Unconditional promises to give	$ 673,144	$ 845,319
Due from related party	23,423	-
Loans and other receivables, net	10,119	10,222
Total	$ 706,686	$ 855,541

Promises to give are considered fully collectible, hence no allowance for uncollectible pledges is considered necessary. Unconditional promises to give are expected to be collected as follow:

2018	$ 436,399
2019	102,787
2020	101,639
2021	6,761
2022	6,850
Later	18,708
	$ 673,144

PROPERTY AND EQUIPMENT

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

	2017	2016
Land	$ 213,570	$ 213,570
Buildings and leasehold improvements	686,618	663,685
Equipment and furniture	287,296	253,778
Vehicles	107,630	84,934
Total cost or donated value	1,295,114	1,215,967
Less accumulated depreciation and amortization	337,464	254,633
Property and equipment, net	$ 957,650	$ 961,334

Depreciation expense amounted to $98,983 and $87,885 for the years ending December 31, 2017 and 2016, respectively. These amounts are included in depreciation, housing and initiative expenses in the accompanying consolidated schedules of expenses.

INVESTMENTS IN CLOSELY HELD ENTITIES

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

	2017	2016
Limited liability company	$ 16,341	$ 17,031
Subsidiary	-	-
Total	$ 16,341	$ 17,031

The limited liability company (LLC) investment consists of an 11.11% interest in a Texas LLC that was donated to PEP in 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, 2017 and 2016, 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 2017 or 2016. 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 through 21.

prison entrepreneurship program

LONG-TERM DEBT

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

	2017	2016
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	$ 319,410	$ 327,695
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	82,438	86,010
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	61,004	63,648
Total	$ 462,852	$ 477,353

The notes payable are collateralized by the Organization's real property with a net carrying value of $699,381 and $702,026 at December 31, 2017 and 2016, respectively.

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

Year-ending	Principal	Interest	Total
2018	$ 15,263	$ 24,123	$ 39,386
2019	317,702	10,369	328,071
2020	7,384	7,276	14,660
2021	7,819	6,840	14,659
2022	114,684	3,249	117,933
Total	$ 462,852	$ 51,857	$ 514,709

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016 are subject to a time restriction.

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SUPPORT

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

	2017	2016
Foundations	$ 1,028,803	$ 1,181,839
Individuals and participants	523,519	596,060
Corporations	218,968	721,780
Churches	76,200	113,055
Board members	318,713	44,800
Total	$ 2,166,203	$ 2,657,534

IN-KIND SUPPORT

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

	2017	2016
Stock contributed from Board members	$ 16,240	$ 44,080
Professional services and supplies	54,180	9,646
Vehicles	7,200	5,499
Savings bonds from an individual	-	413
Stock contributed from individuals	13,362	165
Total in-kind support	$ 90,982	$ 59,803

The stocks that were contributed in 2017 and 2016 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 facilities and certain equipment. Minimum future rentals, on an annual basis, for the years ended December 31 follows:

Year ending	Facilities	Equipment
2018	$ 113,400	$ 15,423
2019	69,264	15,423
2020	39,744	15,423
2021	-	15,423
2022	-	3,856
Total	$ 222,408	$ 65,548

Lease expenses during 2017 and 2016 amounted to $119,307 and $84,244, respectively. These amounts are included in contractual services in the accompanying consolidated schedules of expenses.

prison entrepreneurship program

RELEASES

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

EMPLOYEE BENEFIT PLAN

Organization employees who meet minimum qualifications for annual earnings and length of employment are eligible to participate in the Organization's SIMPLE IRA plan with the Organization matching each participating employee's contribution up to 3% of the employee's compensation. All plan assets are participant directed. For the years ended December 31, 2017 and 2016, the Organization's match was $27,595 and $28,926, respectively.

RELATED PARTY TRANSACTIONS

During 2017, PEP entered into a contract with a company providing an online donation platform, one of whose managers is related to PEP. The company collects cash donations and event revenue for a fee equal to credit card processing. In-kind support is collected for a fee equal to a 20% markup over PEP's cost of the in-kind item. For 2017, PEP recognized revenue and expense for transactions with this company as follows:

Support	$	13,693
In-kind support		11,573
Other income		2,400
Total support and revenue	$	27,666
Fees incurred	$	2,412

As of December 31, 2017, PEP has $23,423 due as a receivable from this company.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 29, 2018 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 EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program	Fundraising	Administrative	Total
Salaries	$ 976,461	$ 180,752	$ 157,025	$ 1,314,238
Automobile and transportation	37,174	-	-	37,174
Benefits	105,195	19,472	16,928	141,595
Contractual				
Leasing	64,473	11,934	10,375	86,782
Utilities	7,482	1,385	1,204	10,071
Communications	22,762	4,214	3,663	30,639
Other	149,427	27,661	24,046	201,134
Depreciation	22,341	4,136	3,595	30,072
Educational	26,943	-	-	26,943
Housing expenses, including $31,858 of depreciation	308,431	-	-	308,431
Initiative expenses including $37,053 of depreciation				
Business plan competition	162,634	-	-	162,634
Re-entry and development programs	117,321	-	-	117,321
Family programs	32,259	-	-	32,259
Interest	24,925	-	-	24,925
Office supplies and expenses	18,709	3,463	3,011	25,183
Participant events	9,415	-	-	9,415
Payroll taxes	71,561	13,247	11,516	96,324
Staff training and appreciation	4,019	744	647	5,410
Travel	27,060	5,009	4,354	36,423
Other expenses	8,767	1,623	1,515	11,905
	$ 2,197,359	$ 273,640	$ 237,879	$ 2,708,878

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED SCHEDULE OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program	Fundraising	Administrative	Total
Salaries	$ 893,113	$ 164,895	$ 141,138	$ 1,199,146
Automobile and transportation	39,055	-	-	39,055
Benefits	130,264	24,050	20,585	174,899
Contractual				
Leasing	56,740	10,476	8,967	76,183
Utilities	6,214	1,147	982	8,343
Communications	22,898	4,228	3,619	30,745
Other	80,461	14,856	12,715	108,032
Depreciation	17,582	3,246	2,779	23,607
Educational	36,876	-	-	36,876
Housing expenses, including $29,052 of depreciation	213,112	-	-	213,112
Initiative expenses including $35,226 of depreciation				
Business plan competition	159,611	-	-	159,611
Re-entry and development programs	147,399	-	-	147,399
Family programs	12,425	-	-	12,425
Interest	25,727	-	-	25,727
Office supplies and expenses	18,446	3,406	2,915	24,767
Participant events	16,680	-	-	16,680
Payroll taxes	66,897	12,351	10,572	89,820
Staff training and appreciation	6,096	-	-	6,096
Travel	16,328	990	1,313	18,631
Other expenses	(1,464)	1,787	8,329	8,652
	$ 1,964,460	$ 241,432	$ 213,914	$ 2,419,806

PRISON ENTREPRENEURSHIP PROGRAM

CONDENSED AND CONSOLIDATED BALANCE SHEETS OF COMMUNITAS AUTO GROUP LLC

DECEMBER 31, 2017 AND 2016
UNAUDITED

	2017	2016
Assets		
Current Assets		
Cash	$ 48,312	$ 91,118
Accounts receivable	4,140	5,276
Inventory	18,257	23,583
Prepaid expenses and other	17,117	7,384
Total Current Assets	87,826	127,361
Property and Equipment		
Equipment	347,017	324,458
Leasehold improvements	158,312	158,312
Other	76,128	76,128
Accumulated depreciation	(208,598)	(135,136)
Total Property and Equipment	372,859	423,762
Other Assets		
Start up costs	423,780	423,780
Franchise rights	122,500	122,500
Other	30,801	32,671
Accumulated amortization	(97,681)	(59,947)
Total Other Assets	479,400	519,004
Total Assets	$ 940,085	$ 1,070,127
Liabilities		
Accounts payable	$ 27,504	$ 34,040
Accrued liabilities	38,074	34,365
Current maturities of long-term notes payable	61,620	58,185
Total Current Liabilities	127,198	126,590
Notes payable, long-term	105,228	166,808
Total Liabilities	232,426	293,398
Equity		
Preferred shareholders	2,056,000	1,898,000
Common shareholder	-	-
Retained deficit	(1,348,341)	(1,121,271)
Total Equity	707,659	776,729
Total Liabilities and Equity	$ 940,085	$ 1,070,127

prison entrepreneurship program

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

PRISON ENTREPRENEURSHIP PROGRAM

CONDENSED AND CONSOLIDATED STATEMENTS OF OPERATIONS OF COMMUNITAS AUTO GROUP LLC

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
UNAUDITED

	2017	2016
Sales, net	$1,385,186	$1,158,287
Cost of goods sold	756,835	748,700
Gross Profit	628,351	409,587
Operating Expenses		
Advertising	171,891	120,349
Computer and diagnostics	24,157	18,121
Depreciation and amortization	111,196	107,770
Insurance	37,855	35,754
Interest	12,306	15,466
Legal and professional	2,158	7,000
Lounge	10,057	6,573
Other	36,033	25,332
Salaries & payroll taxes	339,706	321,099
Shop supplies	14,395	13,972
Taxes-other	7,209	7,687
Training	29,399	10,494
Travel and entertainment	2,080	1,229
Uniforms and cleaning	12,071	13,179
Utilities	44,908	47,543
Total Operating Expenses	855,421	751,568
Net Loss	$ (227,070)	$ (341,981)

PRISON ENTREPRENEURSHIP PROGRAM

CONDENSED AND CONSOLIDATED STATEMENTS OF CASH FLOWS OF COMMUNITAS AUTO GROUP LLC

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
UNAUDITED

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (227,070)	$ (341,981)
Adjustments		
Depreciation and amortization	112,083	108,500
Changes in		
Accounts receivable	1,136	(4,860)
Inventory	5,326	(3,006)
Prepaid expenses and other	(9,733)	(4,526)
Accounts payable	(6,536)	(1,110)
Accrued liabilities	3,709	13,317
Total adjustments	105,985	108,315
Net cash used by operating activities	(121,085)	(233,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(22,559)	(24,586)
Payment of franchise fees	-	(12,500)
Other	983	(3,292)
Net cash used by investing activities	(21,576)	(40,378)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(58,145)	(54,941)
Contribution from preferred shareholders	158,000	322,000
Net cash provided by financing activities	99,855	267,059
NET DECREASE IN CASH	(42,806)	(6,985)
CASH BEGINNING OF YEAR	91,118	98,103
CASH END OF YEAR	$ 48,312	$ 91,118

prison entrepreneurship program

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