

2022 ANNUAL REPORT

Incubate the man
Accelerate his vision



prison
entrepreneurship
program



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"I might look like the person I was four years ago, but I feel and act completely differently. The shell on the outside hasn't changed much, but the contents on the inside have been completely transformed. I can honestly say that wouldn't have happened if PEP wasn't a part of my life. Today I have a purpose to succeed instead of self-destructive behavior. Discipline and structure are critical components in my everyday life. PEP taught me to think of others instead of always trying to get what is mine. They also helped me realize that I need people willing to tell me what I need to hear, not what I want to hear. How to encourage and build others up instead of tearing them down. Within seven months of my release, I was promoted to manager of a building services company and was given full responsibility for hiring and training my replacement. Two months later, the owners gave me the keys to all the company's buildings and full security access to our corporate office. They also bought me a brand-new work truck.



For over 25 years, the only constant in my life was chaos and destruction. My life revolved around my drug addiction, violence and overnight stays in the county jail. My life was so attached to getting the next high that I couldn't comprehend the concept of planning for my future because I didn't believe I had a future. PEP changed that; they have been with me every step of the way in my re-entry journey. They helped me reach the 90-day and 180-day goals that I set when I was released and constantly encouraged me to achieve my one-year plan, which was to own my own home. Almost exactly a year to the day since my release, I am proud to say that I am the owner of a beautiful two-bedroom home in East Texas. My story doesn't end there though, now I am counseling and mentoring others newly released into society, and I often return to PEP's weekly eSchool to encourage my fellow graduates."



This past year has been one of tremendous accomplishment to lay a solid foundation for 2023; PEP has much to be thankful for. With tremendous help from you and others, PEP's graduates in 2022:

- Committed to restored hope and new identity to graduate at a record level of 337,
- Reached 100% employment for active graduates within 90 days of release (13th consecutive year, even through the COVID lockdown),
- Earned an average starting wage of \$16.07 an hour (a record wage up 27% from 2019),
- Achieved a 3-year recidivism rate of less than 10%,
- Borrowed \$704,000 through Entre Capital for business growth capital and
- Extended the amazing outcomes and impacts that helped PEP be recognized by a national corporate and foundation audience.

Spring boarding on our graduates' success, PEP is well-positioned strategically and well resourced to execute new initiatives (to 10X in 5 years) in 2023 including:

- Capitalizing on disruptive tablet technology within TDCJ to touch more lives,
- Becoming a community solution for all returning citizen businesses (not just PEP graduates) and
- Building the team to reach those in other states (national replication).

As you read this report, you will discover the very energy that led you to join and support PEP with a servant's heart. PEP continues to stand where we have stood for the past 19 years - at the intersection of criminal justice reform and economic mobility with an inclusive, faith-inspired solution that works for those who are too often the least, the lost and the left behind. In 2023 and beyond, we are committed to transforming even more returning citizens with the hope, confidence and life they need to build meaningful futures for themselves, their families and our communities.

Thank you,
Your PEP Team

PEP COLLIDER

The PEP Collider opened in Houston in 2022 – a physical space yes, but much more, it is PEP’s intentional process to foster the volunteer-participant “collisions” at the heart of our entrepreneurial ecosystem. The Collider is PEP’s fullest expression yet of moving returning citizens from survive to thrive (economic independence).

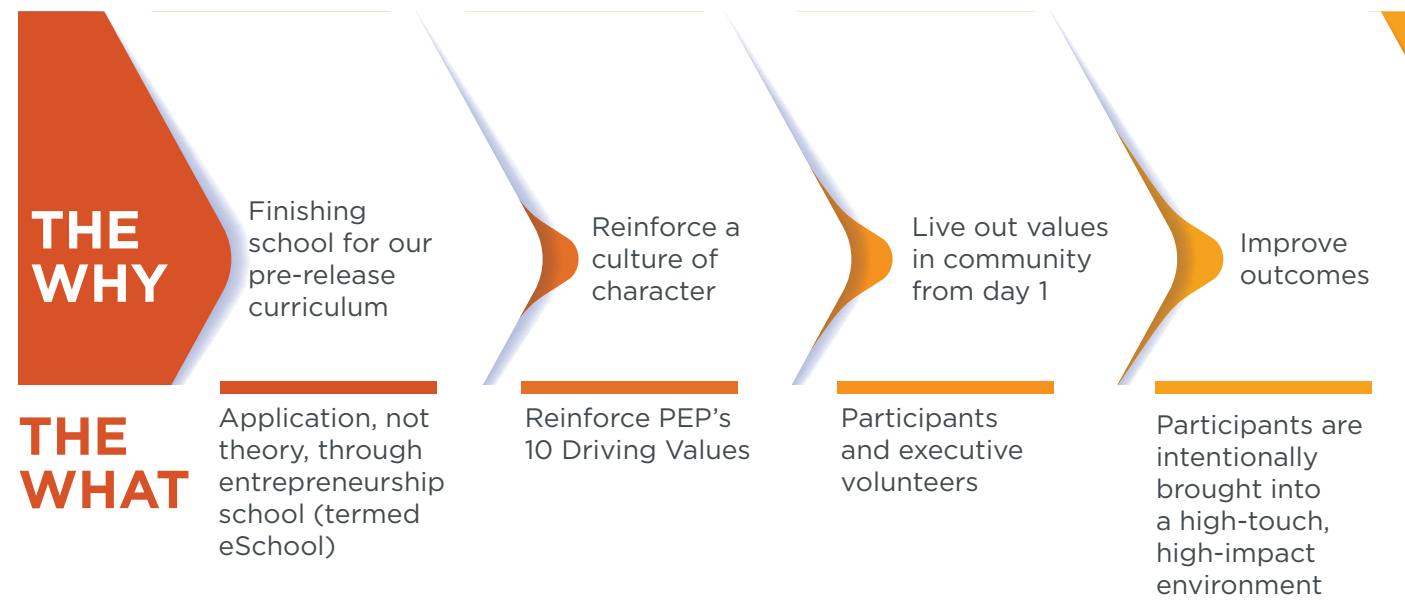
Building on Harvard Business School strategy professor Michael Porter’s study of PEP, the PEP Collider serves as an innovative, community-wide solution using entrepreneurship as a proven vehicle for economic mobility. We seek to serve not just PEP graduates, but all returning citizen entrepreneurs in our community. Currently in Houston, we plan to open a Dallas PEP Collider in 2025.

Just as PEP clients are unique, so is the PEP Collider. Our process invests volunteer expertise and encouragement into returning citizens as they start their ventures to build bankable businesses with thoughtful capital deployment.

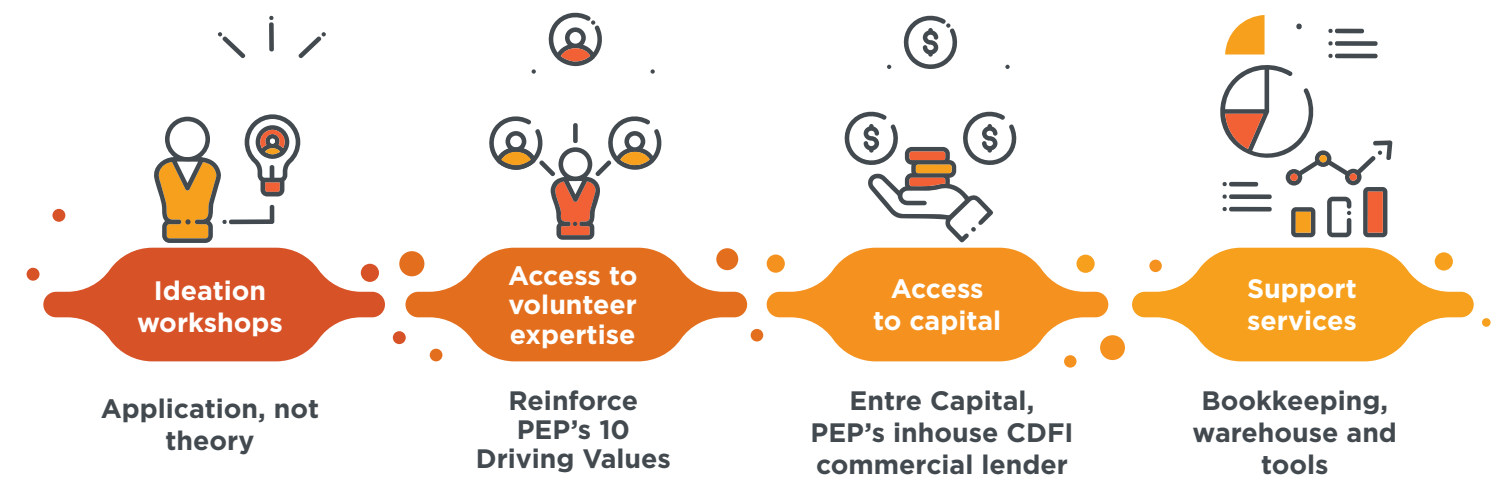


Our service is an incubator/accelerator supporting returning citizen businesses with the education, mentoring, capital access and bookkeeping services fundamental to success. Our concept is an intentional process moving from eSchool Networking through eSchool Aspiration to Big Aspirational Mingle (BAM!) supported along the way by volunteers, workshops and events to sharpen and execute ideas. Ultimately, the PEP Collider is the services bridge to step from vision to launch enhanced with Entre Capital (commercial lending) and the annual PEP B2B event.

PEP COLLIDER: PARTICIPANT INCUBATION



PEP COLLIDER: BUSINESS ACCELERATION



PEP COLLIDER: EXECUTIVE VOLUNTEER ENGAGEMENT



ENTREPRENEURSHIP

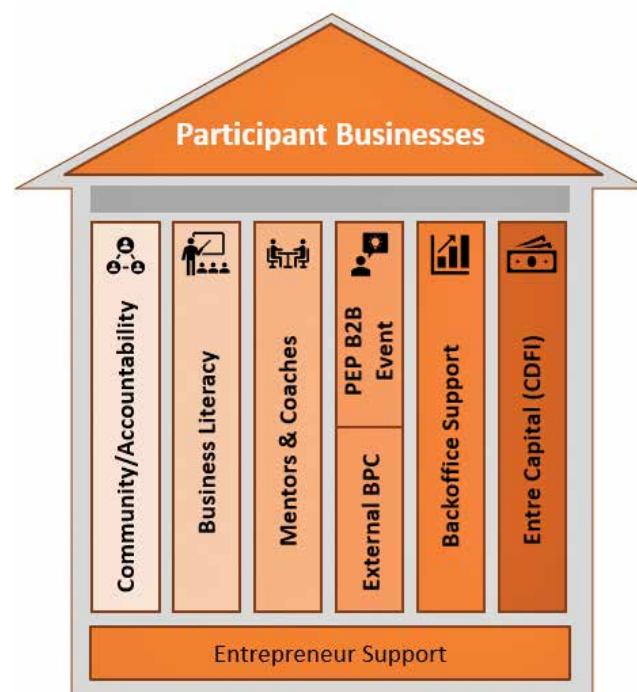
PEP believes employment fuels economic mobility, but entrepreneurship ignites economic independence. Entrepreneurship produces not only employment for the business owner but is an:

- economic engine creating employment opportunities (multiplier effect) for other returning citizens and
- enterprise with a greater propensity to hire justice-impacted individuals (scalable solution).



Both pre- and post-release, we focus on teaching entrepreneurship skills by bringing executive volunteers and participants together – combinations that are typically out of the social norm of both – with each group impacting the other. Our executive volunteers share not only educational topics but impart the confidence and willingness to take the risk to be an entrepreneur.

But education alone is insufficient. PEP continues to build its entrepreneurial ecosystem for returning citizens through our PEP Collider program. The following graph illustrates some of our key pillars.



VOLUNTEERS

Our executive volunteers share PEP's heart: impact returning citizens grounded in the beliefs of God-given human dignity, personal responsibility, dignity of work and free market capitalism. These shared passions empower the volunteers to be a catalytic force of transformation in our men. What PEP participants accomplish is made possible only through mission-minded volunteers who invest their experience and expertise.

In 2022, 570 unique volunteers engaged in one or more PEP programmatic activities contributing 2,500 hours of missional service. This volunteer impact – serving as mentors, coaches, encouragers, teachers, business advisors and technical experts – is a Kingdom exchange where volunteers often find significance through their contributions to men's hopeful spirits. PEP is grateful for the heart, time and leadership our volunteers invest in PEP's marketplace work.





Entre Capital is PEP's inhouse commercial lender providing a capital solution for all returning citizens when they are ready to start or grow their businesses. Entre is chartered to serve all returning citizen businesses in Texas - both PEP graduates and non-PEP returning citizens.



Entre's mission is **restoring lives by transforming credit** and is a US Treasury certified Community Development Financial Institution (CDFI), providing credit facilities and loan servicing to PEP participant-owned and other re-entry businesses. Entre's distinctive competency is de-risking small business lending activities so partner banks and social impact investors can invest in Entre, and we can invest in returning citizens in Texas.



Our theory of change is to transform re-entry credit as credit programs are historically based on how many times a borrower falls down - late payments, repossessions, liens, judgments, bankruptcies, felony convictions. Our heart is to calibrate how many times they get back up. Our loan products and development services are designed to help our clients build strong businesses and strong credit one monthly on-time payment, one coaching session, and one customer transaction at a time. While Entre makes loans, ultimately, we are in the business of transforming our borrowers' lives through equal access to growth capital.

In 2022, Entre originated 16 loans totaling \$704,000 (average loan \$44,000) with 63% to businesses owned by returning citizens of color. The loans are collateralized with the majority secured with trucks and equipment.

Volunteers serve in several Entre roles including mentors, advisors and Entre's management. Additionally, our executive volunteers are social impact investors in Entre's capital stack alongside traditional bank credit and philanthropic gifts from foundations and individuals.



prison entrepreneurship program



Picture an entrepreneur — someone dressed for success with a passion that undeniably shines forth — on stage pitching his idea to a group of savvy investors. His knowledge and confidence inspire belief in change. His energy is palpable. He is a chain-breaker, a positive disruptor.

Now realize that this person is a felon; the chains he broke were his own. He is not a posterchild for homelessness, poverty and recidivism. Rather, his is a truly transformed life arising from marketplace discipline meeting inclusive entrepreneurship.

PEP's Barbed Wire to Business Accelerator event (PEP's B2B) showcases participant business growth strategies and secures the capital needed to bring those strategies to fruition. This pitch event is a tangible expression of PEP's mission to unite business executives and former inmates through entrepreneurial passion and servant leadership to transform lives, restore families and rebuild communities. PEP's B2B is a platform for our returning-citizen business owners to harness social impact capital and secure executive mentors to ignite economic independence in their pursuit of tangible transformation. What we are is an effective, apolitical, capital solution born of humanity.



Our 2022 event in Dallas was an amazing evening thanks to the incredible support of our three judges - Doug Deason, Carly Fiorina and Jason McCann. Kyle Cox of Texas Tree Transformations, Roderick Hearn of IronRod Steel Co and Juan Vasquez of N-Cell-8 competed with Roderick taking home the prize. Our 2023 PEP B2B event will be in Houston on April 20.



IN-PRISON

Calendar 2022 was a record year for men making the commitment to embrace character and community. The foundation stones laid during COVID - character correspondence course, learning and video management systems - empowered:



708 to start Leadership Academy



337 to graduate the Business Plan Competition phase

We introduced several new in-prison initiatives in 2022 including:

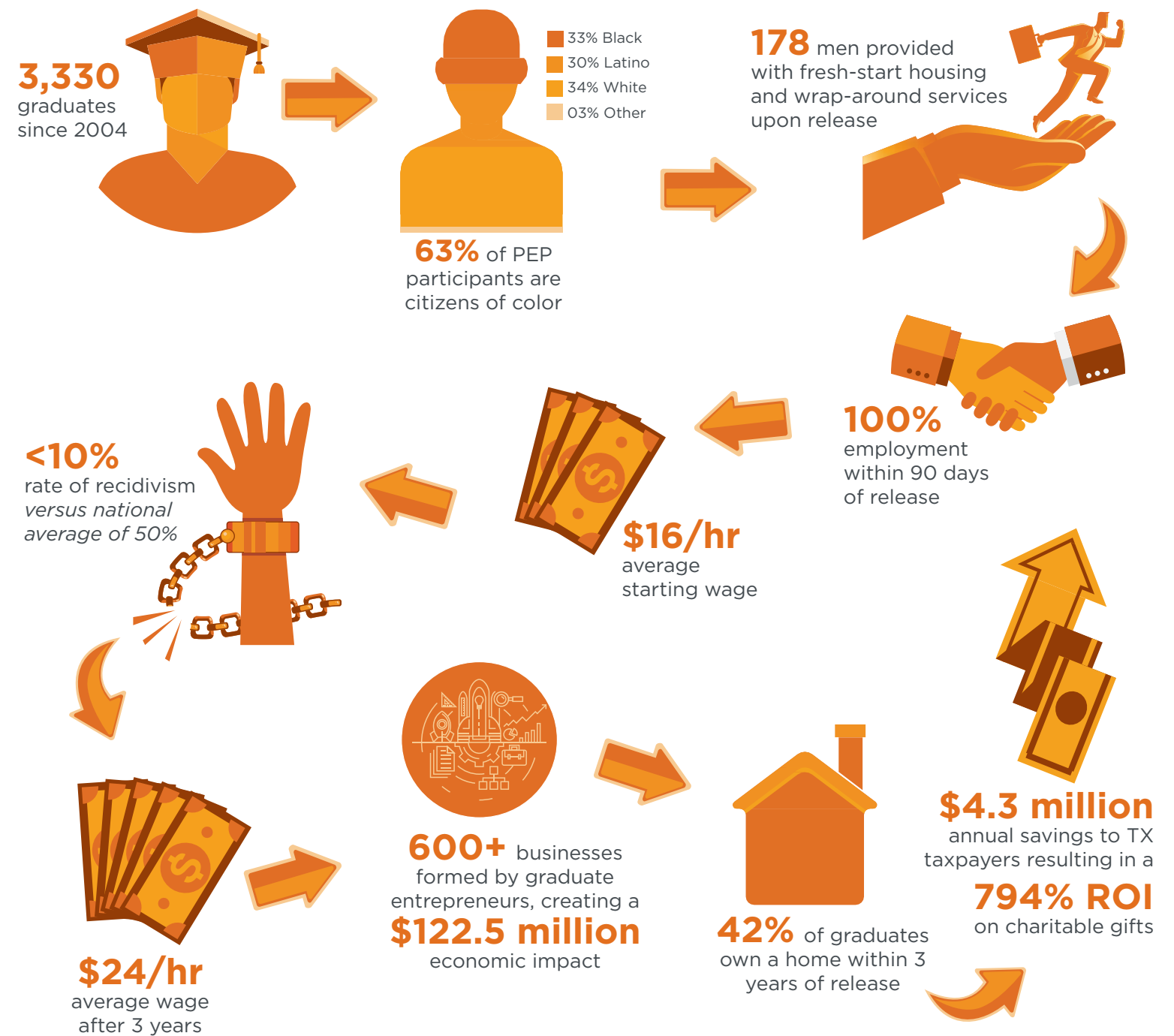
- Team-based business plans to let each man best use his natural talents while fostering teamwork,
- Competition between unit BPC winners to foster camaraderie,
- Learning/video management systems (LMS and VMS) and
- Launch My Business program for servant leaders to have the pragmatic tools needed to launch their businesses post-release.



In 2022, TDCJ began introducing tablet technology to inmates. By the end of 2023, every inmate will have a free tablet that allows access to administrative, educational and entertainment content. Our vision is to scale our program deeper with a video-enabled, tablet-based curriculum (OnLine model) to reach individuals who cannot participate in the OnCampus model. This disruptive-technology, paradigm shift empowers PEP to achieve an order of magnitude impact (10X by 2028) by unlocking a key, historical friction point in PEP's OnCampus model. Those completing the tablet entrepreneur phase will step into re-entry services and the PEP Collider initiative post-release.

RE-ENTRY

Economic mobility to social stability:



Incubating character first produces the tangible outcomes above; the individual is empowered to take ownership of his success in re-entry leading to self-sufficiency.

FINANCIALS

Balance Sheets (\$ in 000's)

	12/31/2022		12/31/2021			
	Programs	Lending	Consolidated	Programs	Lending	Consolidated
Assets						
Cash, unrestricted	\$ 2,305	\$ -	\$ 2,305	\$ 2,781	\$ -	\$ 2,781
Cash, restricted	474	110	584	-	158	158
Receivables, donations	697	-	697	626	75	701
Receivables, 2nd chance loans	-	689	689	-	231	231
Prepays, deposits, other	54	6	60	50	8	58
Property and equipment	3,762	-	3,762	2,765	-	2,765
Accumulated depreciation	(932)	-	(932)	(676)	-	(676)
Investment in subsidiaries	16	-	-	28	-	13
Net intercompany	(458)	458	-	9	(9)	-
Total assets	\$ 5,918	\$ 1,263	\$ 7,165	\$ 5,583	\$ 463	\$ 6,031

Liabilities

Accounts payable	\$ 110	\$ 11	\$ 120	\$ 63	\$ 1	\$ 64
Accrued salaries and payroll taxes	129	-	129	128	-	128
Long-term debt, current maturities	130	65	195	129	55	184
Long-term debt						
Transition home mortgages	344	-	344	365	-	365
Social impact investor loans	-	230	230	-	136	136
Capitalized operating leases	926	-	926	1,010	-	1,010
Total liabilities	1,639	306	1,944	1,695	192	1,887
Net Assets						
Total liabilities & net assets	\$ 4,279	\$ 957	\$ 5,221	\$ 3,888	\$ 271	\$ 4,144
	\$ 5,918	\$ 1,263	\$ 7,165	\$ 5,583	\$ 463	\$ 6,031

Statements of Activities (\$ in 000's)

	2022		2021			
	Programs	Lending	Consolidated	Programs	Lending	Consolidated
Support and Revenue						
Support	\$ 2,967	\$ 904	\$ 3,871	\$ 2,646	\$ 317	\$ 2,963
Rental income	165	-	165	154	-	154
Interest and other income	76	22	63	48	12	51
In-kind	56	24	81	77	-	77
PPP loan forgiveness	-	-	-	315	-	315
Total support and revenue	3,264	950	4,180	3,240	329	3,560
Operating Expenses						
Programs	2,349	264	2,579	2,028	54	2,073
Fundraising	256	-	256	280	-	280
Administrative	268	-	268	260	-	260
Total expenses	2,873	264	3,103	2,568	54	2,613
Change in net assets	391	686	1,077	672	275	947
Net Assets						
Beginning of year	3,888	271	4,144	3,216	(4)	3,197
End of year	\$ 4,279	\$ 957	\$ 5,221	\$ 3,888	\$ 271	\$ 4,144

Presentation: Programs include PEP's traditional pre-release education, post-release re-entry services and entrepreneurship support activities. Lending includes Entre Capital's (PEP's wholly-owned CDFI) commercial lending activities.

GOVERNING BOARD

Patrick Gotcher, PEP Board Chairman

CEO (Retired) - LifeSynch, Inc.

Robert Barkley

Principal (Retired) - Barrow, Hanley, Mewhinney & Strauss, Inc.

Lisa Barksdale

Managing Director, Head of Global Wealth & Investment Management Credit - Bank of America

Oliver Bell

COO - The Barndominium Company., former Chairman - Texas Department of Criminal Justice

Charles Blain

President - Urban Reform Institute

Dougal Cameron

President - Cameron Management, Inc.

Travis Chulick

VP, Private Infrastructure - Brookfield Asset Management

Mike Coffey

CEO - Intex Commercial Flooring

Javier Criexell

Chairman - Globiz Investment, LLC

Steven Heussner

CEO - Mogul Wealth Strategies, LLC

Charles Neff

CEO (Retired) - Integrity Bank

Allison Schlender

Sr. National Sales Executive - The Coca-Cola Company

ENTRE CAPITAL GOVERNING BOARD

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Executive Chairman (Retired) - Triumph Business Capital

Roger Manny, Entre Managing Director

Executive VP & CFO (Retired) - Range Resources Corp

Oscar Barbadillo

VP & Manager - TBK Bank, Dallas

Brittany Barnett

Founder - Manifest Freedom

Charles Blain

President - Urban Reform Institute

Marcus Hill

Owner - Custom Compression Apparel

Gami Jasso

Owner - Savanna Gardens

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John Crabb

Roy Foster

James Holloway

Melissa Horner

John Hunter

Melvin Maltz

Keith McJunkin

Cully Platt

David Sakamoto

Scott Schlegel

John Selzer

Scott Spreier

Cindy Vandersleen

Adam Wulf

PEP STAFF

Leadership

Bryan Kelley

CEO

Phi Tran

COO

Tim Hamilton

CAO

Development

Joshua Munoz

Executive Relations Manager, Houston

Mercury Bynum

Executive Relations Manager, Dallas

Madonna Riley

Foundations and Corporate Manager

Brandon Green

Communications & Marketing

Re-Entry

Timothy Daniels

Re-Entry Manager, Houston

Jason Moore

Re-Entry Manager, Dallas

Clinton Free

Life Caddie, Houston

Michael Galloway

Life Caddie, Houston

Julio Medina

Life Caddie, Houston

Jeremy Jones

Life Caddie, Dallas

Johnny Sprowls

Life Caddie, Dallas

In-Prison

Pat McGee

Director, Prison Initiatives

Greg Philips

In Prison Manager, Bell

Donald Jones

Character Development Specialist, Bell

Gerald Dooley

Character Development Specialist, Estes

Family Reunification

Theresa Black

Family Liaison

Laura Stiehl

Family Liaison

Administration

Brandy Arabi

Executive Assistant

Gabriel Duran

Bookkeeper

Jeff Humphrey

Recruiting

Edison Nguyen

IT Specialist

Courtney Dykstra

Accountant

Max Han

Facilities & Fleet

Mi Lai,

Curriculum

ENTRE CAPITAL STAFF

Grant Derderian

Chief Credit Officer

Helma Gentry

Chief Lending Officer

Tim Hamilton

Chief Financial Officer



832-767-0928



info@pep.org



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