PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020

PRISON ENTREPRENEURSHIP PROGRAM
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Prison Entrepreneurship Program
Houston, Texas

Opinion

We have audited the accompanying consolidated financial statements of Prison Entrepreneurship Program (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, cash flows and expenses for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prison Entrepreneurship Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Entrepreneurship Program's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

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internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Prison Entrepreneurship Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Entrepreneurship Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of December 31, 2021 and 2020 and the consolidating statements of activities for the years then ended on pages 23-26 are presented for the purposes of additional analysis and are 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 as a whole.

Pittsford Samuels, PLLC

June 27, 2022
Houston, Texas

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash, unrestricted	$ 2,780,611	$ 2,394,737
Cash, restricted	157,889	23,222
Short-term investments	-	205,046
Receivables - donations	701,566	457,786
Promissory notes receivable - 2nd chance business loans, net of loan loss allowance of $12,000 in 2021	231,361	206,803
Prepaid expenses, deposits and other assets	57,933	69,944
Property and equipment, net of accumulated depreciation and amortization of $676,114 in 2021 and $683,069 in 2020	2,088,910	1,090,067
Investments in closely held entities	13,141	13,953
Total Assets	$ 6,031,411	$ 4,461,558
LIABILITIES		
Accounts payable and accrued liabilities	$ 64,002	$ 86,629
Accrued salaries and payroll taxes	128,313	145,330
Long-term debt - current maturities	184,074	134,324
Long-term debt		
Transition home mortgages	364,512	395,544
Social impact investor loans	136,312	186,890
Capital lease obligations	1,009,771	-
Paycheck Protection Program loan	-	315,492
Total liabilities	1,886,984	1,264,209
NET ASSETS		
With donor restrictions	1,079,796	897,786
Without donor restrictions	3,064,631	2,299,563
Total net assets	4,144,427	3,197,349
Total Liabilities and Net Assets	$ 6,031,411	$ 4,461,558

prison entrepreneurship program

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

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
SUPPORT AND REVENUE						
Support	$ 2,326,159	$ 636,884	$ 2,963,043	$ 2,238,154	$ 540,940	$ 2,779,094
Rental income	153,608	-	153,608	214,375	-	214,375
Interest and other income	51,386	-	51,386	28,089	-	28,089
PPP loan forgiveness	315,492	-	315,492	-	-	-
In-kind support	76,624	-	76,624	244,921	-	244,921
Total support and revenue	2,923,269	636,884	3,560,153	2,725,539	540,940	3,266,479
RELEASE OF RESTRICTIONS	454,874	(454,874)	-	451,174	(451,174)	-
Total support, revenue and releases	3,378,143	182,010	3,560,153	3,176,713	89,766	3,266,479
OPERATING EXPENSES						
Programs	2,072,549	-	2,072,549	2,001,511	-	2,001,511
Fundraising	280,147	-	280,147	332,425	-	332,425
Administrative	260,379	-	260,379	221,566	-	221,566
Total expenses	2,613,075	-	2,613,075	2,555,502	-	2,555,502
INCREASE IN NET ASSETS	765,068	182,010	947,078	621,211	89,766	710,977
NET ASSETS						
BEGINNING OF YEAR	2,299,563	897,786	3,197,349	1,678,352	808,020	2,486,372
END OF YEAR	$ 3,064,631	$ 1,079,796	$ 4,144,427	$ 2,299,563	$ 897,786	$ 3,197,349

prison entrepreneurship program

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

INCREASE (DECREASE) IN CASH

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 947,078	$ 710,977
Adjustments		
Donated stocks	(48,110)	(228,604)
Donated fixed assets	(18,000)	(981)
Gain on sale of donated stocks	(19,604)	(667)
Depreciation and amortization	179,716	213,079
Loss on disposition of equipment	49,153	-
Forgiveness of PPP loan	(315,492)	-
Change in loan loss allowance	12,000	-
Changes in		
Receivables	(243,780)	259,484
Prepaid expenses, deposits and other assets	14,711	15,994
Accounts payable and accrued liabilities	(22,627)	(64,693)
Accrued salaries and payroll taxes	(17,017)	24,438
Total adjustments	(429,050)	218,050
Net cash provided by operating activities	518,028	929,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of donated stocks	272,760	24,535
Proceeds from sales of equipment and vehicle	300	500
Participant business loans originated	(91,600)	(211,808)
Participant business loans repaid	55,042	5,005
Designated donation transferred to independent nonprofit	-	(82,095)
Change in investments, net	812	881
Purchase of property and equipment	(89,854)	(23,009)
Net cash provided (used) by investing activities	147,460	(285,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from social impact investor loans	-	178,750
Payment of social impact investor loans	(43,910)	(1,898)
Proceeds from Paycheck Protection Program loan	-	315,492
Payment of capital lease obligation	(82,116)	(123,385)
Payment of mortgage debt	(18,921)	(18,010)
Net cash provided (used) by financing activities	(144,947)	350,949
NET INCREASE IN CASH	520,541	993,985
CASH BEGINNING OF YEAR	2,417,959	1,423,974
CASH END OF YEAR	$2,938,500	$ 2,417,959
SUPPLEMENTAL CASH FLOW DISCLOSURE		
CASH PAID FOR INTEREST	$ 37,742	$ 24,944

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Programs								
	Prerelease	Re-entry	Housing	Lending	Other	Total	Fundraising	Administrative	Total
Salaries	$ 588,369	$ 328,826	$ 23,387	$ 56,841	$ 48,486	$1,045,909	$ 171,777	$ 159,658	$1,377,344
Automobile/transportation	10,635	5,944	423	1,027	876	18,905	3,105	2,886	24,896
Bad debts	-	-	-	12,000	-	12,000	-	-	12,000
Bank charges	5,255	2,937	774	1,264	433	10,663	1,534	1,424	13,621
Benefits/payroll taxes	126,769	70,848	5,039	12,247	10,447	225,350	37,011	34,399	296,760
Computer	11,719	4,096	291	10,319	604	27,029	2,140	1,988	31,157
Contractual services	88,630	43,772	3,113	7,566	6,454	149,535	22,866	21,253	193,654
Curriculum	668	87	-	-	-	755	-	-	755
Depreciation/amortization	58,969	27,397	56,960	4,736	4,040	152,102	14,312	13,302	179,716
Events	20,648	12,448	810	1,968	1,678	37,552	5,947	5,526	49,025
Food/entertainment	2,692	29,335	98	238	824	33,187	720	667	34,574
Insurance	12,499	6,985	9,152	1,207	1,030	30,873	3,649	3,392	37,914
Interest	5,183	2,897	18,746	7,457	427	34,710	1,513	1,407	37,630
Office	4,214	2,355	3,768	407	347	11,091	1,230	1,144	13,465
Other	326	15,010	9,742	12	12,165	37,255	37	35	37,327
Postage	8,754	3,948	212	515	2,302	15,731	1,557	1,447	18,735
Professional fees	6,804	3,803	1,516	16,980	1,034	30,137	1,986	1,847	33,970
Program education	2,933	1,639	117	283	242	5,214	856	796	6,866
Property taxes	383	214	3,705	37	32	4,371	112	104	4,587
Re-entry housing	-	7,770	-	-	-	7,770	-	-	7,770
Repair and maintenance	4,473	2,500	21,013	432	369	28,787	1,306	1,213	31,306
Staff training/appreciation	4,765	2,663	189	460	393	8,470	1,391	1,294	11,155
Supplies	9,176	21,663	8,948	536	457	40,780	1,621	1,507	43,908
Travel	2,937	1,673	110	268	228	5,216	809	752	6,777
Utilities	15,988	8,935	71,371	1,545	1,318	99,157	4,668	4,338	108,163
	$ 992,789	$ 607,745	$ 239,484	$ 138,345	$ 94,186	$2,072,549	$ 280,147	$ 260,379	$2,613,075

prison entrepreneurship program

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Programs								
	Prerelease	Re-entry	Housing	Lending	Other	Total	Fundraising	Administrative	Total
Salaries	$ 626,914	$ 266,022	$ 22,764	$ 28,437	$ 51,462	$ 995,599	$ 211,528	$ 140,670	$1,347,797
Automobile/transportation	11,419	4,845	415	518	937	18,134	3,853	2,562	24,549
Bank charges	8,102	3,438	3,121	705	665	16,031	2,734	1,818	20,583
Benefits/payroll taxes	135,591	57,536	4,923	6,150	11,130	215,330	45,750	30,425	291,505
Computer	6,985	2,731	233	18,339	528	28,816	2,172	1,445	32,433
Contractual services	72,608	23,956	2,050	2,561	4,634	105,809	19,049	12,667	137,525
Curriculum	6,424	-	-	-	-	6,424	-	-	6,424
Depreciation/amortization	68,018	21,162	89,525	2,262	4,094	185,061	16,827	11,191	213,079
Events	10,536	505	43	54	98	11,236	402	267	11,905
Food/entertainment	2,361	20,769	80	100	502	23,812	740	492	25,044
Insurance	12,563	5,331	8,398	570	1,031	27,893	4,239	2,819	34,951
Interest	1,420	602	20,178	6,224	117	28,541	479	318	29,338
Other	1,509	9,328	1,410	785	8,752	21,784	502	334	22,620
Postage	8,678	1,086	94	116	345	10,319	864	574	11,757
Professional fees	7,904	3,354	2,365	359	6,400	20,382	2,667	1,772	24,821
Program education	7,311	3,102	265	332	600	11,610	2,467	1,641	15,718
Office	8,116	3,444	295	368	4,166	16,389	2,738	2,321	21,448
Property taxes	331	141	43,286	15	27	43,800	112	74	43,986
Re-entry housing	-	6,650	-	-	-	6,650	-	-	6,650
Repair and maintenance	6,090	2,584	17,587	276	908	27,445	2,055	1,367	30,867
Staff training/appreciation	5,376	2,281	195	244	441	8,537	1,814	1,207	11,558
Supplies	8,041	25,065	8,108	196	355	41,765	1,458	970	44,193
Travel	3,123	781	62	77	1,067	5,110	576	382	6,068
Utilities	27,856	11,820	81,807	1,264	2,287	125,034	9,399	6,250	140,683
	$1,047,276	$ 476,533	$ 307,204	$ 69,952	$ 100,546	$2,001,511	$ 332,425	$ 221,566	$2,555,502

prison entrepreneurship program

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ORGANIZATIONAL

Prison Entrepreneurship Program (PEP) was organized in 2004 under the California Nonprofit Public Benefit Corporation Law for charitable purposes. Effective December 27, 2018, PEP redomesticated from a California Nonprofit Corporation to a Texas Nonprofit Corporation. 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, 2021 and 2020.

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, 2021 and 2020. CVI is an investor in Communitas Auto Group LLC as more fully described in the Investments note on page 16.

During 2019, PEP established a wholly-owned subsidiary, Entre Capital LLC (Entre) to be a private, commercial lender serving PEP alumni and other re-entry businesses. Entre's lending activities and capital structure, is more fully described in the Social Impact Investing note on page 16. The financial position, results of operations and cash flows of Entre are consolidated with PEP in the consolidated financial statements as of and for the years ended December 31, 2021 and 2020.

PEP, HCH, CVI and Entre 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 and the guidance in Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. All intercompany amounts have been eliminated in consolidation.

Adoption of Recent Accounting Standard - The Organization adopted ASU 2016-02 "Leases (Topic 842)" on January 1, 2021. ASU 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statements of financial position for leases with terms of more than 12 months. ASU 2016-02 provides for a modified retrospective transition approach basis to record the impact of adopting ASU 2016-02 on financial statements. The modified retrospective transition approach allows the lessee to recognize and measure leases on the consolidated statements of financial position at the beginning of either the earliest period presented or as of the beginning of the period of adoption. The Organization elected to recognize and measure leases on the consolidated statements of financial position effective January 1, 2020 and has therefore restated the prior year consolidated financial statements. See Note regarding Impact of Adoption of ASU 2016-02 on page 13.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support - The Organization follows the current provisions for contributions received and contributions made. Accordingly, unconditional contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 in-prison 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 services, 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. 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.

Promissory notes receivable - Promissory notes receivable include 2nd chance business loans as more fully discussed in the Social Impact Investing note on page 16. The allowance for loan losses on promissory notes receivable is a contra-asset valuation account that is deducted from the amortized cost basis of promissory notes receivable to present the net amount expected to be collected. The amount of the allowance represent's management's best estimate of current expected credit losses on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms.

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. Property and equipment includes right to use assets recognized with the adoption of ASU 2016-02 and are classified as capital leases. Depreciation and amortization is provided using the straight-line method over the estimated useful life of the assets, ranging from 2 to 28 years. Repairs and maintenance are charged to expense as incurred.

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, 2021 and 2020.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements - The Organization uses fair value to measure financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy establishes and prioritizes fair value measurements into three levels based on the nature of inputs. The hierarchy gives the highest priority to inputs based on data from independent sources (observable inputs - Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs - Level 3). 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 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 subsidiaries HCH and Entre. CVI is a for-profit entity subject to income tax. CVI has net operating loss carryforwards of approximately $21,000; 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 2018.

Allocation of Expenses - The financial statements report expenses that are attributable to more than one functional classification of expenses (programs, fundraising, and administrative). Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salary, benefits and payroll taxes are allocated by function based on estimates of time and effort. Other expenses have been allocated by function based on this same percentage. The Organization has four primary programs: prerelease, re-entry, housing and lending. The prerelease program, occurring at the Organization's prison unit campuses, provides character and entrepreneurship education. The re-entry program for returning citizens provides basic necessities, help securing documents to be legally employable, employment assistance, continuing education, and mentoring by executive volunteers. The housing program provides reliable, below-market housing as participants rebuild their lives following release. The lending program provides commercial lending, financial education and executive mentors to participant entrepreneurs.

Reclassifications - Certain amounts from 2020 have been reclassified to conform to the current year presentation.

prison entrepreneurship program

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern Evaluation - The Organization's management is required to evaluate the ability of the Organization to continue as a going concern based on the Organization's financial position and operating environment. The Organization has adequate liquidity, diverse revenue streams and substantial cash flow combined with robust management systems to oversee the well-being of key stakeholders, react quickly to new economic conditions and continue as a going concern.

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.

Date of Management Review - Subsequent events have been evaluated through June 27, 2022 which is the date the consolidated financial statements were available to be issued.

IMPACT OF ADOPTION OF ASU 2016-02

The Organization adopted ASU 2016-02 "Leases (Topic 842)" in 2021 and elected to restate the prior periods. The impact of the restatement at December 31 is summarized below.

	2020	2019
Property and equipment, net, as previously stated	$1,024,132	$1,112,294
Capitalized leases, net of accumulated amortization	65,935	99,541
Net property and equipment, restated	$1,090,067	$1,211,835
Total long-term debt, as previously stated	$ 965,558	$ 491,224
Capitalized lease obligations	66,692	102,791
Total long-term debt, restated	$1,032,250	$ 594,015
Total net assets, as previously stated	$3,198,106	$2,489,622
Capitalized leases, decrease in net assets	(757)	(3,250)
Total net assets, restated	$3,197,349	$2,486,372

CASH

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

	2021	2020
Checking and saving	$ 959,963	$1,026,891
Sweeps and other	1,978,537	1,391,068
Total	$2,938,500	$2,417,959

Restricted cash includes the Entre cash balance which is restricted to the operations of Entre and is not available to pay the obligations of PEP, HCH and CVI.

prison entrepreneurship program

SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2020 consist of publicly traded stocks donated to the Organization in December of that year. Soon after donation, the Organization sells any stocks donated. All stocks donated at the end of the fiscal year 2020 were sold within the first two months of the fiscal year 2021. Short-term investments are considered Level 1 investments.

RECEIVABLES

A summary of receivables at December 31 follows:

	2021	2020
Unconditional promises to give, as discounted	$ 701,566	$ 457,786

Receivables are considered fully collectible, hence no allowance for doubtful accounts is considered necessary. Receivables are expected to be collected as follows:

	Gross	Discount	Net
2022	$ 614,023	$ 944	$ 613,079
2023	77,685	384	77,301
2024	7,141	103	7,038
2025	4,166	18	4,148
Total	$ 703,015	$ 1,449	$ 701,566

PROPERTY AND EQUIPMENT

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

	2021	2020
Land	$ 238,747	$ 238,747
Buildings and leasehold improvements	856,769	930,506
Capital leases	1,122,858	142,811
Equipment and furniture	396,983	365,259
Vehicles	90,229	95,813
Construction in progress	59,438	-
Total cost or donated value	2,765,024	1,773,136
Less accumulated depreciation and amortization	676,114	683,069
Property and equipment, net	$2,088,910	$1,090,067

Depreciation and amortization expense amounted to $179,716 and $213,079 for the years ending December 31, 2021 and 2020, respectively.

CAPITAL LEASES

The Organization leases office facilities under operating leases with one to ten year initial terms. Most leases include renewal options which can extend the lease terms from three to five years.

CAPITAL LEASES (CONTINUED)

The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. While all of the agreements provide for minimum lease payments, some include payments adjusted for variable payments based on a proportionate share of facility operating expenses as defined in the agreements. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the statements of financial position which include amounts for capital operating leases at December 31:

	2021	2020
Capital leases included with property and equipment	$1,122,858	$ 142,811
Current portion of long-term debt related to capital leases	$ 97,662	$ 66,692
Capital lease obligations	1,009,771	-
Total capital lease obligations	$1,107,433	$ 66,692

The components of capital operating lease expense that are included in depreciation/amortization in the consolidated statements of expenses for the years ended December 31 follows:

	2021	2020
Capital operating lease amortization	$ 102,891	$ 120,892

The following summarizes the cash flow information related to capital operating leases for the years ended December 31:

	2021	2020
Cash paid for amounts included in the measurement of capital operating lease liabilities:		
Cash flows for capital operating leases	$ 82,116	$ 123,385
Lease asset obtained in exchange for lease liabilities:	$1,122,858	$ 87,286

Weighted average lease term and discount rate as of December 31 follows:

	2021	2020
Weighted average remaining lease term	109 months	8 months
Weighted average discount rate	4.32%	4.10%

The maturities of capital operating lease liabilities at December 31, 2021 are as follows:

	Principal	Interest	Total
2022	$ 97,662	$ 46,050	$ 143,712
2023	110,608	41,404	152,012
2024	112,988	36,506	149,494
2025	89,673	32,127	121,800
2026	100,151	28,149	128,300
Later	596,351	63,049	659,400
Total	$1,107,433	$ 247,285	$1,354,718

INVESTMENTS IN CLOSELY HELD ENTITIES

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

	2021	2020
Limited liability company	$ 13,141	$ 13,953
Subsidiary	-	-
Total	$ 13,141	$ 13,953

The limited liability company (LLC) investment consists of an 11.11% interest in a Texas LLC that was donated to the Organization in 2014. The LLC's primary assets are two mortgages to the Organization. For tax purposes the LLC reports its activities to the taxing authorities as a partnership. At December 31, 2021 and 2020, the carrying value of the investment approximates the Organization's interest in the LLC's equity.

The investment in subsidiary consists of the Organization'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 the Organization. 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. The Organization is accounting for its interest in CAG's common shares on the cost basis, which is zero, as the Organization 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 northwest Harris County, Texas and began operations in 2015. The third location is in Montgomery County, Texas and had no operations in 2020. The real property for each of the three locations is owned indirectly by the related Preferred Shareholder. The early 2020 onset of the coronavirus (COVID-19) led to a substantial decrease in store location sales and material increase in ongoing operating losses. The related Preferred Shareholder undertook a comprehensive review of CAG's historical and prospective financial performance and in March 2020 implemented its decision to cease operations at both auto repair locations. The related Preferred Shareholder sold the real and personal property of both locations in 2020.

SOCIAL IMPACT INVESTING

Community Development Financial Institution (CDFI)
Entre is a private, commercial, CDFI lender serving returning citizen businesses in Texas. Entre's lending program is open to PEP alumni and other re-entry businesses. Entre’s capital structure attracts social impact investors to PEP’s entrepreneurial mission through a combination of donor advised fund, corporate, public, philanthropic, and individual monies.

On January 31, 2022, the U.S. Department of the Treasury's CDFI Fund certified Entre as a CDFI with a target market of returning citizen businesses in Texas including other targeted markets for people of color and those of low income to provide access to safe and affordable business capital. As a CDFI, Entre will seek additional leverage and equity capital through banks' Community Reinvestment Act programs and other philanthropic sources.

SOCIAL IMPACT INVESTING (CONTINUED)

Lending Activities

A summary of 2nd chance business loans at December 31 follows:

	2021	2020
PEP alumni businesses	$ 230,958	$ 186,803
Other re-entry business	12,403	20,000
Total loans	243,361	206,803
Less loan loss allowance	(12,000)	-
Net loans	$ 231,361	$ 206,803

These loans are comprised of promissory notes from eight companies in original principal amounts totaling $303,408 and are due in monthly installments totaling $7,923. The notes bear interest at rates from 4% to 7.5% with maturities through June 2027 and are collateralized by equipment and vehicles. At December 31, 2021, Entre had a commitment to fund an additional $21,000 at a 5% interest rate to one of the companies subject to the company meeting certain operational conditions.

Entre pairs each borrower with a volunteer mentor to mitigate credit risk. Entre has adopted the Office of the Comptroller of the Currency handbook template in evaluating the loan loss allowance. At December 31, 2020, the outstanding promissory notes were considered fully collectible, hence no allowance for loan losses was considered necessary. At December 31, 2021, a loan loss allowance of $12,000 was recorded. No loans were charged off in 2021 and 2020.

The promissory notes are expected to be collected as follows:

	Principal	Interest	Total
2022	$ 76,910	$ 11,393	$ 88,303
2023	75,106	6,954	82,060
2024	56,087	3,344	59,431
2025	17,382	1,386	18,768
2026	13,550	586	14,136
Later	4,326	44	4,370
Total	$ 243,361	$ 23,707	$ 267,068

Capital Structure

On September 16, 2021, the CDFI Fund awarded Entre a $125,000 Technical Assistance grant to build Entre's organizational capacity for its financing activities and specified development services. The accompanying financial statements recognize $75,000 in support revenue in 2021 with the remaining $50,000 installment not recognized pending the attainment of specified performance measures. The first $75,000 installment of the grant was paid to Entre in March 2022.

On January 1, 2022, Entre entered into a note payable agreement with a public charity that receives donor advised fund (DAF) capital for the purpose of making mission-related impact investments. The original principal amount of the note is $145,104 due in annual installments of $26,924 bearing interest at 7% and maturing January 1, 2029. The agreement includes put options at the lender's discretion requiring repayment on January 1, 2027 with a reduction of the annual interest rate to 5% or on January 1, 2028 with a reduction of the annual interest rate to 6%. The loan from the public charity is uncollateralized and nonrecourse to Entre and the Organization.

prison entrepreneurship program

SOCIAL IMPACT INVESTING (CONTINUED)

On June 27, 2022, the Organization received an $800,000 grant from a foundation restricted for use in Entre's lending program with the grant to be leveraged with CRA funds and other philanthropic funds for a larger community impact. The grant is payable in annual installments of $300,000 in 2022 and $500,000 in 2023.

A summary of social impact investor loans at December 31 follows:

	2021	2020
Public charity (DAF's)	$ 144,273	$ 177,322
Companies	15,134	18,600
Individuals	32,285	39,680
Total	$ 191,692	$ 235,602

The loans from social impact investors are notes payable in original principal amounts totaling $237,500 and are due in annual principal installments equal to the principal collections of the underlying promissory notes. The notes bear interest at 3% and mature June 2027. The loans from social impact investors are uncollateralized and are nonrecourse to Entre and the Organization.

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

	Principal	Interest	Total
2022	$ 55,380	$ 5,751	$ 61,131
2023	53,777	4,089	57,866
2024	36,306	2,476	38,782
2025	12,891	1,387	14,278
2026	13,550	1,000	14,550
Thereafter	19,788	594	20,382
Total	$ 191,692	$ 15,297	$ 206,989

LONG-TERM DEBT

Mortgages

A summary of transition home mortgage debt at December 31 follows:

	2021	2020
Mortgage payable in the original principal amount of $311,120, due in monthly installments of $1,895 and one balloon payment of $257,263; bearing interest at 4%; maturing February 1, 2024	$ 280,860	$ 291,961
Mortgage payable in the 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	65,910	70,404
Mortgage payable in the 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	48,774	52,099
Total	$ 395,544	$ 414,464

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

LONG-TERM DEBT (CONTINUED)

The mortgages payable are collateralized by the Organization's real property with a net carrying value of $485,591 and $627,495 at December 31, 2021 and 2020, respectively.

On March 11, 2022, the Organization refinanced its two notes payable maturing May 10, 2022. The new note is in the principal amount of $101,274, due in monthly installments of $1,063 through March 2032 and bearing interest at 4.71%.

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

	Principal	Interest	Total
2022	$ 31,032	$ 16,323	$ 47,355
2023	20,433	15,063	35,496
2024	266,059	5,735	271,794
2025	9,236	3,525	12,761
2026	9,686	3,074	12,760
Thereafter	59,098	7,832	66,930
Total	$ 395,544	$ 51,552	$ 447,096

Paycheck Protection Program Loan

On April 10, 2020, PEP entered into a note payable agreement with a bank for $315,492 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and is administered by the Small Business Administration (SBA). The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. The amount of loan forgiveness will be reduced if the borrower reduces employment or reduces salaries. PEP accounted for the potential forgiveness of the loan in accordance with ASC 405-20-40-1, where the proceeds from the loan are recorded as a liability until either (1) the loan is, in part or wholly forgiven and the debtor has been "legally released" or (2) the debtor pays off the creditor. The PPP loan was wholly forgiven on January 19, 2021.

NET ASSETS

A summary of net assets with donor restrictions at December 31 follows:

	2021	2020
Time restricted	$ 701,566	$ 457,786
Purpose restricted	378,230	440,000
Total	$1,079,796	$ 897,786

A summary of net assets without donor restrictions at December 31 follows:

	2021	2020
Internally-designated	$ 157,889	$ 23,222
Unrestricted	2,906,742	2,276,341
Total	$3,064,631	$2,299,563

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUPPORT

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

	2021	2020
Foundations	$ 1,544,186	$ 1,286,803
Individuals and participants	677,463	930,412
Corporations	183,211	181,547
Churches	79,500	71,463
Government grants	114,708	-
Board members	363,975	308,869
Total	$ 2,963,043	$ 2,779,094

IN-KIND SUPPORT

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

	2021	2020
Stock contributed from Board members	$ 22,470	$ 18,492
Professional services and supplies	10,514	15,336
Property and equipment	18,000	981
Stock contributed from individuals	25,640	210,112
Total	$ 76,624	$ 244,921

Contributed stocks not sold during the year contributed are included in short-term investments in the consolidated statements of financial position in 2020.

RELEASES

Net assets with donor restrictions have been released from the related restriction by the collection of donations receivable or by making specific expenditures.

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have seasonal variation during the year attributable to a concentration of contributions received near calendar year-end. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization may invest cash in excess of daily requirements in short-term investments.

prison entrepreneurship program

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Financial assets available within one year of the consolidated statements of financial position are reduced by amounts not available for general use within one year because of expected collection dates beyond one year, donor-imposed restrictions and internal designations. A summary of available financial assets at December 31 follows:

	2021	2020
Financial assets		
Cash	$ 2,780,611	$ 2,394,737
Short-term investments	-	205,046
Receivables	701,566	457,786
Promissory notes receivable	231,361	206,803
Less		
Receivables due in more than one year	(88,487)	(184,542)
Promissory notes receivable due in more than one year	(166,451)	(156,586)
Donor restricted for specific purposes	(378,230)	(440,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 3,080,370	$ 2,483,244

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, 2021 and 2020, the Organization's match was $33,024 and $32,618, respectively.

CONCENTRATION OF CREDIT RISK

The Organization maintains most of its cash at three banks. The bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2021 and 2020 the Organization's uninsured cash balances at the banks approximated $1,769,000 and $1,429,000, respectively. The Organization has placed its cash balances with high credit quality financial institutions and does not anticipate any losses with respect to uninsured cash balances.

SUBSEQUENT EVENTS

As previously disclosed, on March 14, 2022, two transition home mortgage notes were refinanced. The future maturities of the refinanced notes are included in the Long Term Debt note.

As previously disclosed, on January 31, 2022, the U.S. Department of the Treasury's CDFI Fund certified Entre as a CDFI.

As previously disclosed, on January 1, 2022, Entre entered into a note payable agreement in the original principal amount of $145,104. Payments related to this note are included in the Social Impact Investing *Capital Structure* note.

prison entrepreneurship program

SUBSEQUENT EVENTS (CONTINUED)

As previously disclosed, on June 27, 2022, the Organization received an $800,000 grant from a foundation restricted for use in Entre's lending program with the grant to be leveraged with CRA funds and other philanthropic funds for a larger community impact. The grant is payable in annual installments of $300,000 in 2022 and $500,000 in 2023.

Subsequent events have been evaluated through June 27, 2022 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.

Prison Entrepreneurship Program
Consolidating Statement of Financial Position
December 31, 2021

	PEP	HCH	CVI	Entre	Eliminations	Consolidated
Assets						
Cash	$ 2,642,105	$ 111,497	$ 27,009	$ 157,889	$ -	$ 2,938,500
Short-term investments	-	-	-	-	-	-
Receivables						
Donations	626,566	-	-	75,000	-	701,566
2nd chance loans	-	-	-	231,361	-	231,361
Subsidiaries	234,089	-	-	-	(234,089)	-
Prepaids, deposits, and other	48,463	735	620	8,115	-	57,933
Property and equipment, net	1,216,595	872,315	-	-	-	2,088,910
Investments in closely held entities	596,227	-	-	-	(583,086)	13,141
Total Assets	$ 5,364,045	$ 984,547	$ 27,629	$ 472,365	$ (817,175)	$ 6,031,411
Liabilities						
Accounts payable and accrued liabilities	$ 56,476	$ 184,731	$ 47,918	$ 8,966	$ (234,089)	$ 64,002
Accrued salaries and payroll taxes	128,313	-	-	-	-	128,313
Long-term debt						
Due currently	97,662	31,032	-	55,380	-	184,074
Due afterwards						
Transition home mortgages	-	364,512	-	-	-	364,512
Social impact investor loans	-	-	-	136,312	-	136,312
Capital lease obligations	1,009,771	-	-	-	-	1,009,771
Total Liabilities	1,292,222	580,275	47,918	200,658	(234,089)	1,886,984
Net Assets						
With donor restrictions	1,079,796	-	-	-	-	1,079,796
Without donor restrictions	2,992,027	404,272	(20,289)	271,707	(583,086)	3,064,631
Total Net Assets	4,071,823	404,272	(20,289)	271,707	(583,086)	4,144,427
Total Liabilities and Net Assets	$ 5,364,045	$ 984,547	$ 27,629	$ 472,365	$ (817,175)	$ 6,031,411

prison entrepreneurship program

Prison Entrepreneurship Program
Consolidating Statement of Financial Position
December 31, 2020

	PEP	HCH	CVI	Entre	Eliminations	Consolidated
Assets						
Cash	$ 2,255,690	$ 117,644	$ 21,403	$ 23,222	$ -	$ 2,417,959
Short-term investments	205,046	-	-	-	-	205,046
Receivables						
Donations	457,786	-	-	-	-	457,786
2nd chance loans	-	-	-	206,803	-	206,803
Subsidiaries	199,892	-	-	-	(199,892)	-
Prepaids, deposits, and other	57,450	8,648	-	3,846	-	69,944
Property and equipment, net	166,136	923,931	-	-	-	1,090,067
Investments in closely held entities	585,753	-	-	-	(571,800)	13,953
Total Assets	$ 3,927,753	$ 1,050,223	$ 21,403	$ 233,871	$ (771,692)	$ 4,461,558
Liabilities						
Accounts payable and accrued liabilities	$ 36,982	$ 200,324	$ 47,445	$ 1,770	$ (199,892)	$ 86,629
Accrued salaries and payroll taxes	145,330	-	-	-	-	145,330
Long-term debt						
Due currently	55,957	29,655	-	48,712	-	134,324
Due afterwards						
Transition home mortgages	-	395,544	-	-	-	395,544
Social impact investor loans	-	-	-	186,890	-	186,890
Paycheck Protection Program Loan	315,492	-	-	-	-	315,492
Total Liabilities	553,761	625,523	47,445	237,372	(199,892)	1,264,209
Net Assets						
With donor restrictions	897,786	-	-	-	-	897,786
Without donor restrictions	2,476,206	424,700	(26,042)	(3,501)	(571,800)	2,299,563
Total Net Assets	3,373,992	424,700	(26,042)	(3,501)	(571,800)	3,197,349
Total Liabilities and Net Assets	$ 3,927,753	$ 1,050,223	$ 21,403	$ 233,871	$ (771,692)	$ 4,461,558

prison entrepreneurship program

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

Prison Entrepreneurship Program
Consolidating Statement of Activities
For the Year Ended December 31, 2021

	PEP	HCH	CVI	Entre	Eliminations	Consolidated
Support and Revenue						
Support	$ 2,888,043	$ -	$ -	$ 317,349	$ (242,349)	$ 2,963,043
Rental income	-	169,798	-	-	(16,190)	153,608
Interest and other income	41,827	-	6,226	11,702	(8,369)	51,386
PPP loan forgiveness	315,492	-	-	-	-	315,492
In-kind support	76,624	-	-	-	-	76,624
Total support and revenue	3,321,986	169,798	6,226	329,051	(266,908)	3,560,153
Operating Expenses						
Program	2,083,629	201,341	473	54,014	(266,908)	2,072,549
Fundraising	280,147	-	-	-	-	280,147
Administrative	260,379	-	-	-	-	260,379
Total expenses	2,624,155	201,341	473	54,014	(266,908)	2,613,075
Increase (Decrease) in Net Assets	697,831	(31,543)	5,753	275,037	-	947,078
Net Assets						
Beginning of year	3,373,992	424,700	(26,042)	(3,501)	(571,800)	3,197,349
Contributions	-	11,115	-	171	(11,286)	-
End of year	$ 4,071,823	$ 404,272	$ (20,289)	$ 271,707	$ (583,086)	$ 4,144,427

Prison Entrepreneurship Program
Consolidating Statement of Activities
For the Year Ended December 31, 2020

	PEP	HCH	CVI	Entre	Eliminations	Consolidated
Support and Revenue						
Support	$ 2,779,094	$ -	$ -	$ 10,335	$ (10,335)	$ 2,779,094
Rental income	-	234,675	-	-	(20,300)	214,375
Interest and other income	23,876	-	2,150	2,063	-	28,089
In-kind support	244,921	-	-	-	-	244,921
Total support and revenue	3,047,891	234,675	2,150	12,398	(30,635)	3,266,479
Operating Expenses						
Program	1,725,786	271,430	4,167	30,763	(30,635)	2,001,511
Fundraising	332,425	-	-	-	-	332,425
Administrative	221,566	-	-	-	-	221,566
Total expenses	2,279,777	271,430	4,167	30,763	(30,635)	2,555,502
Net operating	768,114	(36,755)	(2,017)	(18,365)	-	710,977
Increase (Decrease) in Net Assets	768,114	(36,755)	(2,017)	(18,365)	-	710,977
Net Assets						
Beginning of year	2,605,878	424,790	(24,025)	9,364	(529,635)	2,486,372
Contributions	-	36,665	-	5,500	(42,165)	-
End of year	$ 3,373,992	$ 424,700	$ (26,042)	$ (3,501)	$ (571,800)	$ 3,197,349

prison entrepreneurship program

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

NOTE: Prepared for the Texas Bar Foundation
This page has been isolated from PEP's audited financial statements (FY21).
The complete audit has been uploaded as "Statement of Activities."

	2021	2020
ASSETS		
Cash, unrestricted	$ 2,780,611	$ 2,394,737
Cash, restricted	157,889	23,222
Short-term investments	-	205,046
Receivables - donations	701,566	457,786
Promissory notes receivable - 2nd chance business loans, net of loan loss allowance of $12,000 in 2021	231,361	206,803
Prepaid expenses, deposits and other assets	57,933	69,944
Property and equipment, net of accumulated depreciation and amortization of $676,114 in 2021 and $683,069 in 2020	2,088,910	1,090,067
Investments in closely held entities	13,141	13,953
Total Assets	$ 6,031,411	$ 4,461,558
LIABILITIES		
Accounts payable and accrued liabilities	$ 64,002	$ 86,629
Accrued salaries and payroll taxes	128,313	145,330
Long-term debt - current maturities	184,074	134,324
Long-term debt		
Transition home mortgages	364,512	395,544
Social impact investor loans	136,312	186,890
Capital lease obligations	1,009,771	-
Paycheck Protection Program loan	-	315,492
Total liabilities	1,886,984	1,264,209
NET ASSETS		
With donor restrictions	1,079,796	897,786
Without donor restrictions	3,064,631	2,299,563
Total net assets	4,144,427	3,197,349
Total Liabilities and Net Assets	$ 6,031,411	$ 4,461,558

Prison Entrepreneurship Program

Governing Board, 2023

Board Position	Prefix	First Name	Last Name	Title	Company	City, State
Chairman	Mr.	Patrick	Gotcher	CEO (retired)	LifeSynch, Inc.	Fort Worth, TX
Director	Mr.	Robert	Barkley	Principal (retired)	Barrow, Hanley, Mewhinney & Strauss, Inc.	Lake Toxaway, NC
Director	Ms.	Lisa	Barksdale	Sr VP, Commercial Credit	Bank of America	Houston, TX
Director	Mr.	Oliver J.	Bell	CEO	Oliver Bell, Inc.	Cleveland, TX
Director	Mr.	Charles	Blain	President	Urban Reform Institute	Houston, TX
Director	Mr.	Dougal	Cameron	President	Cameron Management, Inc.	Chappell Hill, TX
Director	Mr.	Travis	Chulick	VP, Private Infrastructure	Brookfield Asset Management	Houston, TX
Director	Mr.	Michael "Mike"	Coffey	CEO	Intex Commercial Flooring	Tomball, Texas
Director	Mr.	Javier	Criexell	Chairman	Globiz Investment	Irving, TX
Director	Mr.	Steven	Heussner	CEO	Mogul Wealth Strategies, LLC	McKinney, TX
Director	Mr.	Charles "Mack"	Neff	CEO (retired)	Integrity Bank	Spring, TX
Director	Ms.	Allison	Schlender	Sr. National Sales Executive	The Coca-Cola Company	Dallas, TX

PEP does not share board members' personal contact information and respectfully asks all queries or correspondence be directed to Grants Manager Madonna Riley, mriley@pep.org.

PEP Staff List	
Employee	**Position**
Brandy Jo Arabi	Executive Assistant
Brandon Green	Marketing & Communications
Bryan Kelley	Chief Executive Officer
Clinton Free	Life Caddie (Houston)
Courtney Dykstra	Bookkeeper
David Flores	In-Prison Manager (Dallas)
Donald Jones	Life Caddie (Houston)
Edison Nguyen	IT Specialist
Gerald Dooley	Life Caddie (Dallas)
Greg Phillips	In-Prison Manager (Houston)
Jason Moore	Reentry Manager (Dallas)
Jeff Humphrey	Manager of Correspondence Course
Jeremy Jones	Life Caddie (Dallas)
Johnny Sprowls	Life Caddie (Dallas)
Joshua Munoz	Donor Relations Manager
Laura Stiehl	Family Liaison
Madonna Riley	Grants Manager
Max Han	Office Manager
Mercury Bynum	Donor Relations Manager
Mi Lai	Manager of Business Education
Michael Galloway	Life Caddie (Houston)
Pat McGee	Director, Prison Initiatives
Phi Tran	Chief Operating Officer
Syed Kamal	Controller
Tara Freeman	Volunteer and Events Coordinator
Theresa Black	Family Liaison
Timothy Daniels	Reentry Manager (Houston)
Tim Hamilton	Chief Administrative Officer

(updated December 2022)

BAYLOR
UNIVERSITY

February 12, 2022

To Whom It May Concern:

It is my pleasure to write a letter supporting the Prison Entrepreneurship Program's ("PEP") grant submission to your organization.

I have been aware of PEP a number of years and was fortunate to conduct a systematic evaluation of PEP, "Recidivism Reduction and Return on Investment: An Empirical Assessment of the Prison Entrepreneurship Program, in 2013. The study documented the success of this innovative program in reducing recidivism, and helping former prisoners navigate the difficult transition reentry period. The ability of the program to successfully place program participants in gainful employment is truly remarkable.

In conclusion, I fully support the efforts of Prison Entrepreneurship Program as they seek support from your organization.

Sincerely,

Byron R. Johnson, Ph.D.
Distinguished Professor of the Social Sciences
Director, Program on Prosocial Behavior
Director, Institute for Studies of Religion

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GUILL **FAMILY** FOUNDATION

February 1, 2022

To Whom It May Concern:

On behalf of the Guill Family Foundation ("GCF" or the "Foundation"), it is my pleasure to write a letter supporting the Prison Entrepreneurship Program's ("PEP") grant submission to your organization.

The GFF has worked with PEP since 2014. We not only believe wholeheartedly in PEP's mission to transform the lives of incarcerated men, we recognize its incredible success in delivering results: 100% of PEP graduates are employed within 90 days of release from prison and nearly all are still employed one year later. As a result of the family's confidence in this program, the Foundation supports PEP through annual grants as well as the personal involvement of several Guill family members. Prior to the pandemic, one of the Foundation's Directors led "Celebrate Recovery Night" for the citizens at the Cleveland Correctional Center and came to know many of the participants in the PEP program. In addition, as the ultimate testament to the transformational work that PEP does, that Director has also hired three PEP graduates to work for his company.

The GFF believes everyone deserves a second chance. PEP takes that notion a step further by giving its participants the training and support to make that second chance as successful as possible. The PEP selection process is rigorous and identifies those men who have the potential and the determination to turn their lives around in order to become productive and dependable members of society. A grant from your organization would allow PEP to further increase the scope and scale of its life-changing program.

In conclusion, I fully support PEP's efforts within the community, and I believe they are highly deserving of your support. Thanks for your consideration.

Sincerely,

Marion Guill Anderson
Executive Director
Guill Family Foundation