

**PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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, 2022 and 2021 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

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, 2022 and 2021 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

May 31, 2023
Houston, Texas



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PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash, unrestricted	\$ 2,380,440	\$ 2,780,611
Cash, restricted and designated	508,400	157,889
Receivables - donations	697,830	701,566
Promissory notes receivable - 2nd chance business loans, net of loan loss allowance of \$63,800 in 2022 and \$12,000 in 2021	689,157	231,361
Prepaid expenses, deposits and other assets	60,750	57,933
Property and equipment, net of accumulated depreciation and amortization of \$932,476 in 2022 and \$676,114 in 2021	2,829,113	2,088,910
Investments in closely held entities	<u>-</u>	<u>13,141</u>
Total Assets	<u>\$ 7,165,690</u>	<u>\$ 6,031,411</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 123,569	\$ 64,002
Accrued salaries and payroll taxes	126,235	128,313
Long-term debt - current maturities	190,068	184,074
Long-term debt		
Transition home mortgages	344,079	364,512
Social impact investor loans	234,348	136,312
Capital lease obligations	<u>925,771</u>	<u>1,009,771</u>
Total liabilities	<u>1,944,070</u>	<u>1,886,984</u>
NET ASSETS		
With donor restrictions	731,543	1,079,796
Without donor restrictions	<u>4,490,077</u>	<u>3,064,631</u>
Total net assets	<u>5,221,620</u>	<u>4,144,427</u>
Total Liabilities and Net Assets	<u>\$ 7,165,690</u>	<u>\$ 6,031,411</u>

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PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
SUPPORT AND REVENUE						
Support	\$ 2,933,411	\$ 937,544	\$ 3,870,955	\$ 2,326,159	\$ 636,884	\$ 2,963,043
Rental income	164,778	-	164,778	153,608	-	153,608
Interest and other income	63,255	-	63,255	51,386	-	51,386
PPP loan forgiveness	-	-	-	315,492	-	315,492
In-kind support	<u>80,576</u>	<u>-</u>	<u>80,576</u>	<u>76,624</u>	<u>-</u>	<u>76,624</u>
Total support and revenue	3,242,020	937,544	4,179,564	2,923,269	636,884	3,560,153
RELEASE OF RESTRICTIONS	<u>1,285,797</u>	<u>(1,285,797)</u>	<u>-</u>	<u>454,874</u>	<u>(454,874)</u>	<u>-</u>
Total support, revenue and releases	<u>4,527,817</u>	<u>(348,253)</u>	<u>4,179,564</u>	<u>3,378,143</u>	<u>182,010</u>	<u>3,560,153</u>
OPERATING EXPENSES						
Programs	2,578,089	-	2,578,089	2,072,549	-	2,072,549
Fundraising	260,423	-	260,423	280,147	-	280,147
Administrative	<u>263,859</u>	<u>-</u>	<u>263,859</u>	<u>260,379</u>	<u>-</u>	<u>260,379</u>
Total expenses	<u>3,102,371</u>	<u>-</u>	<u>3,102,371</u>	<u>2,613,075</u>	<u>-</u>	<u>2,613,075</u>
INCREASE IN NET ASSETS	1,425,446	(348,253)	1,077,193	765,068	182,010	947,078
NET ASSETS						
BEGINNING OF YEAR	<u>3,064,631</u>	<u>1,079,796</u>	<u>4,144,427</u>	<u>2,299,563</u>	<u>897,786</u>	<u>3,197,349</u>
END OF YEAR	<u>\$ 4,490,077</u>	<u>\$ 731,543</u>	<u>\$ 5,221,620</u>	<u>\$ 3,064,631</u>	<u>\$ 1,079,796</u>	<u>\$ 4,144,427</u>


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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, 2022 AND 2021

INCREASE (DECREASE) IN CASH

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ <u>1,077,193</u>	\$ <u>947,078</u>
Adjustments		
Donated stocks	(8,652)	(48,110)
Donated equipment	(45,104)	(18,000)
Gain on sale of donated stocks	(30)	(19,604)
Depreciation and amortization	256,362	179,716
Loss on disposition of equipment	-	49,153
Forgiveness of PPP loan	-	(315,492)
Change in loan loss allowance	51,800	12,000
Changes in		
Receivables	3,736	(243,780)
Prepaid expenses, deposits and other assets	(192)	14,711
Accounts payable and accrued liabilities	59,567	(22,627)
Accrued salaries and payroll taxes	<u>(2,078)</u>	<u>(17,017)</u>
Total adjustments	<u>315,409</u>	<u>(429,050)</u>
Net cash provided by operating activities	<u>1,392,602</u>	<u>518,028</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of donated stocks	8,682	272,760
Proceeds from sales of equipment and vehicle	4,036	300
Participant business loans originated	(703,620)	(91,600)
Participant business loans repaid	194,024	55,042
Change in investments, net	13,141	812
Purchase of property and equipment	<u>(958,122)</u>	<u>(89,854)</u>
Net cash provided (used) by investing activities	<u>(1,441,859)</u>	<u>147,460</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from social impact investor loans	145,104	-
Payment of social impact investor loans	(42,300)	(43,910)
Proceeds from mortgage debt	101,274	-
Payment of capital lease obligations	(72,175)	(82,116)
Payment of mortgage debt	<u>(132,306)</u>	<u>(18,921)</u>
Net cash used by financing activities	<u>(403)</u>	<u>(144,947)</u>
NET INCREASE (DECREASE) IN CASH	(49,660)	520,541
CASH BEGINNING OF YEAR	<u>2,938,500</u>	<u>2,417,959</u>
CASH END OF YEAR	<u>\$ 2,888,840</u>	<u>\$ 2,938,500</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
CASH PAID FOR INTEREST	<u>\$ 68,817</u>	<u>\$ 37,742</u>

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PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Programs						Total	Fundraising	Administrative	Total
	Prerelease	Re-entry	Housing	Lending	Incubating	Other				
Salaries	\$ 583,298	\$ 319,784	\$ 29,208	\$ 153,944	\$ 47,752	\$ 57,742	\$1,191,728	\$ 155,914	\$ 157,969	\$1,505,611
Automobile/transportation	18,180	9,967	910	3,656	1,488	1,800	36,001	4,860	4,924	45,785
Bad debts	-	-	-	51,800	-	-	51,800	-	-	51,800
Bank charges	4,553	2,496	389	2,329	373	811	10,951	1,217	1,233	13,401
Benefits/payroll taxes	125,182	68,629	6,268	26,845	10,248	12,392	249,564	33,461	33,903	316,928
Computer	14,520	3,916	358	50,986	585	707	71,072	1,909	1,935	74,916
Contractual services	85,670	36,952	3,375	11,516	5,518	6,672	149,703	18,016	18,254	185,973
Curriculum	392	1,299	-	-	-	-	1,691	-	-	1,691
Depreciation/amortization	95,229	42,359	50,020	13,202	6,325	7,649	214,784	20,653	20,925	256,362
Development services	-	-	-	10,722	-	-	10,722	-	-	10,722
Events	16,171	553	50	170	96,121	99	113,164	267	270	113,701
Food/entertainment	2,484	29,134	78	4,020	334	277	36,327	418	425	37,170
Insurance	11,355	6,225	10,675	1,940	930	1,124	32,249	3,035	3,075	38,359
Interest	18,744	10,276	17,368	18,975	1,534	1,856	68,753	5,010	5,076	78,839
Other	3,080	24,708	3,213	3,895	4,369	2,108	41,373	501	506	42,380
Postage	6,437	3,085	226	853	370	577	11,548	1,208	1,227	13,983
Professional fees	4,622	2,534	1,712	24,391	378	981	34,618	1,235	1,252	37,105
Program education	3,184	1,745	159	621	261	315	6,285	851	863	7,999
Property lease	1,226	672	61	209	100	121	2,389	328	334	3,051
Property taxes	347	190	3,622	59	28	34	4,280	93	94	4,467
Re-entry housing	-	7,920	-	-	-	-	7,920	-	-	7,920
Repair and maintenance	12,088	6,627	12,506	2,065	990	1,197	35,473	3,231	3,274	41,978
Staff training/appreciation	8,004	4,388	401	1,368	655	792	15,608	2,139	2,168	19,915
Supplies	14,640	33,523	11,552	2,713	469	1,843	64,740	1,532	1,552	67,824
Travel	3,946	2,397	122	7,292	1,512	268	15,537	651	660	16,848
Utilities	14,570	7,988	71,705	2,911	1,193	1,442	99,809	3,894	3,940	107,643
	<u>\$1,047,922</u>	<u>\$ 627,367</u>	<u>\$ 223,978</u>	<u>\$ 396,482</u>	<u>\$ 181,533</u>	<u>\$ 100,807</u>	<u>\$2,578,089</u>	<u>\$ 260,423</u>	<u>\$ 263,859</u>	<u>\$3,102,371</u>



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

PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Programs						Total	Fundraising	Administrative	Total
	Prerelease	Re-entry	Housing	Lending	Incubating	Other				
Salaries	\$ 576,958	\$ 305,864	\$ 23,387	\$ 45,429	\$ 45,784	48,486	\$1,045,908	\$ 171,777	\$ 159,659	\$1,377,344
Automobile/transportation	10,429	5,529	423	821	828	876	18,906	3,105	2,885	24,896
Bad debts	-	-	-	12,000	-	-	12,000	-	-	12,000
Bank charges	5,153	2,732	774	1,162	409	433	10,663	1,534	1,424	13,621
Benefits/payroll taxes	124,310	65,901	5,039	9,788	9,865	10,447	225,350	37,011	34,399	296,760
Computer	11,577	3,810	291	10,177	570	604	27,029	2,140	1,988	31,157
Contractual services	87,111	40,715	3,113	6,047	6,095	6,454	149,535	22,866	21,253	193,654
Curriculum	668	87	-	-	-	-	755	-	-	755
Depreciation/amortization	58,018	25,484	56,960	3,785	3,815	4,040	152,102	14,312	13,302	179,716
Events	20,253	11,653	810	1,573	1,585	1,678	37,552	5,947	5,526	49,025
Food/entertainment	2,644	29,239	98	190	813	203	33,187	720	667	34,574
Insurance	12,256	6,497	9,152	965	973	1,030	30,873	3,649	3,392	37,914
Interest	5,083	2,694	18,746	7,356	403	427	34,709	1,513	1,408	37,630
Other	324	15,005	9,742	10	12,164	11	37,256	37	34	37,327
Postage	8,651	3,740	212	412	415	2,302	15,732	1,557	1,446	18,735
Professional fees	6,672	3,537	1,516	16,848	529	1,034	30,136	1,986	1,848	33,970
Program education	2,876	1,525	117	226	228	242	5,214	856	796	6,866
Property lease	4,132	2,191	3,768	325	328	347	11,091	1,230	1,144	13,465
Property taxes	376	199	3,705	30	30	32	4,372	112	103	4,587
Re-entry housing	-	7,770	-	-	-	-	7,770	-	-	7,770
Repair and maintenance	4,386	2,325	21,013	345	348	369	28,786	1,306	1,214	31,306
Staff training/appreciation	4,673	2,477	189	368	371	393	8,471	1,391	1,293	11,155
Supplies	9,068	21,446	8,948	429	432	457	40,780	1,621	1,507	43,908
Travel	2,883	1,565	110	214	216	228	5,216	809	752	6,777
Utilities	15,678	8,311	71,371	1,234	1,244	1,318	99,156	4,668	4,339	108,163
	<u>\$ 974,179</u>	<u>\$ 570,296</u>	<u>\$ 239,484</u>	<u>\$ 119,734</u>	<u>\$ 87,445</u>	<u>\$ 81,411</u>	<u>\$2,072,549</u>	<u>\$ 280,147</u>	<u>\$ 260,379</u>	<u>\$2,613,075</u>

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

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.

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.



PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services - The impact of the Organization is multiplied many times over through the efforts of its executive volunteers and business plan advisors who annually donate significant time to the Organization's mission. Additionally, the Organization's 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 represents 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 recorded in accordance with authoritative guidance 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, 2022 and 2021.

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

PRISON ENTREPRENEURSHIP PROGRAM

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, 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 \$17,000; 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 2019.

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 five primary programs: prerelease, re-entry, housing, lending and incubating. 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. The incubating program provides business support and entrepreneurship services to participant entrepreneurs.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications - Certain amounts from 2021 have been reclassified to conform to the current year presentation.

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 May 31, 2023 which is the date the consolidated financial statements were available to be issued.

CASH

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

	<u>2022</u>	<u>2021</u>
Checking and saving	\$1,118,484	\$ 959,963
Sweeps and other	<u>1,770,356</u>	<u>1,978,537</u>
Total	<u>\$2,888,840</u>	<u>\$2,938,500</u>

Restricted and designated 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. Additionally, the Organization designates some cash to be used to fulfill donor restrictions.

RECEIVABLES

A summary of receivables at December 31 follows:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give, as discounted	<u>\$ 697,830</u>	<u>\$ 701,566</u>

Receivables are considered fully collectible, hence no allowance for doubtful accounts is considered necessary.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RECEIVABLES (CONTINUED)

Receivables are expected to be collected as follows:

	<u>Gross</u>	<u>Discount</u>	<u>Net</u>
2023	\$ 686,838	\$ 194	\$ 686,644
2024	7,142	104	7,038
2025	4,166	18	4,148
Total	<u>\$ 698,146</u>	<u>\$ 316</u>	<u>\$ 697,830</u>

PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 238,747	\$ 238,747
Buildings and leasehold improvements	1,662,593	856,769
Capital leases	1,122,858	1,122,858
Equipment and furniture	627,162	396,983
Vehicles	110,229	90,229
Construction in progress	-	59,438
Total cost or donated value	3,761,589	2,765,024
Less accumulated depreciation and amortization	<u>932,476</u>	<u>676,114</u>
Property and equipment, net	<u>\$2,829,113</u>	<u>\$2,088,910</u>

Depreciation and amortization expense amounted to \$256,362 and \$179,716 for the years ending December 31, 2022 and 2021, 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.

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.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CAPITAL LEASES (CONTINUED)

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

	2022	2021
Capital leases included with property and equipment	<u>\$1,122,858</u>	<u>\$1,122,858</u>
Current portion of long-term debt related to capital leases	\$ 109,487	\$ 97,662
Capital lease obligations	<u>925,771</u>	<u>1,009,771</u>
Total capital lease obligations	<u>\$1,035,258</u>	<u>\$1,107,433</u>

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:

	2022	2021
Capital operating lease amortization	<u>\$ 132,128</u>	<u>\$ 102,891</u>

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

	2022	2021
Cash paid for amounts included in the measurement of capital operating lease liabilities:		
Cash flows for capital operating leases	<u>\$ 72,175</u>	<u>\$ 82,116</u>
Lease asset obtained in exchange for lease liabilities	<u>\$ -</u>	<u>\$1,122,858</u>

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

	2022	2021
Weighted average remaining lease term	<u>97 months</u>	<u>109 months</u>
Weighted average discount rate	<u>4.32%</u>	<u>4.32%</u>

The maturities of capital operating lease liabilities at December 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 109,487	\$ 42,525	\$ 152,012
2024	111,818	37,676	149,494
2025	88,452	33,348	121,800
2026	98,876	29,424	128,300
2027	116,578	24,723	141,301
Later	<u>510,047</u>	<u>45,057</u>	<u>555,104</u>
Total	<u>\$1,035,258</u>	<u>\$ 212,753</u>	<u>\$1,248,011</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INVESTMENTS IN CLOSELY HELD ENTITIES

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

	<u>2022</u>	<u>2021</u>
Limited liability company	\$ <u>-</u>	\$ <u>13,141</u>

The limited liability company (LLC) investment consisted of an 11.11% interest in a Texas LLC that was donated to the Organization in 2014. The LLC's primary assets were two mortgages to the Organization. For tax purposes the LLC reports its activities to the taxing authorities as a partnership. At December 31, 2021, the carrying value of the investment approximated the Organization's interest in the LLC's equity. During the year ended December 31, 2022, the mortgages in the LLC were paid in full and the investment in the LLC was terminated.

SOCIAL IMPACT INVESTING

Community Development Financial Institution (CDFI)

Entre is a private, commercial, CDFI loan fund 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 loan fund 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 (CRA) programs and other philanthropic sources.

Lending Activities

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

	<u>2022</u>	<u>2021</u>
PEP alumni businesses	\$ 712,474	\$ 230,958
Other re-entry businesses	<u>40,483</u>	<u>12,403</u>
Total loans	752,957	243,361
Less loan loss allowance	<u>(63,800)</u>	<u>(12,000)</u>
Net loans	\$ <u>689,157</u>	\$ <u>231,361</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SOCIAL IMPACT INVESTING (CONTINUED)

Lending Activities (Continued)

The composition of the promissory notes at December 31 follows:

	2022	2021
Number of borrowers	24	8
Original principal amounts	\$ 896,428	\$ 303,408
Total monthly installments	\$ 20,591	\$ 7,923
Interest rates	4% to 7.5%	4% to 7.5%
Commitment to fund	\$ -	\$ 21,000

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, 2022 and 2021, a loan loss allowance of \$63,800 and \$12,000, respectively, was recorded. No loans were charged off in 2022 and 2021.

The promissory notes at December 31, 2022 are expected to be collected as follows:

	Principal	Interest	Total
2023	\$ 146,830	\$ 36,512	\$ 183,342
2024	143,127	27,921	171,048
2025	100,788	19,917	120,705
2026	92,372	13,513	105,885
2027	91,899	7,425	99,324
Later	<u>177,941</u>	<u>24,912</u>	<u>202,853</u>
Total	<u>\$ 752,957</u>	<u>\$ 130,200</u>	<u>\$ 883,157</u>

Capital Structure

On September 16, 2021, the CDFI Fund awarded Entre a \$125,000 Technical Assistance grant (TA1) 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.

On September 26, 2022, the CDFI Fund awarded Entre a second \$125,000 Technical Assistance grant (TA2) for the same purpose as TA1. Payment for TA2 was contingent on the specified performance measures for TA1 which the CDFI Fund approved in January 2023. The remaining \$50,000 installment of TA1 was paid to Entre in February 2023. The first installment of \$75,000 of TA2 was paid to Entre in April 2023. Both 2023 payments will be recognized in 2023 support revenue with the attainment of the CDFI Fund approval of specified requirements.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SOCIAL IMPACT INVESTING (CONTINUED)

On January 1, 2022, Entre entered into a note payable agreement with a public charity (Tranche 2) that receives donor advised fund (DAF) capital for the purpose of making mission-related impact investments. 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 notes payable for Tranches 1 and 2 are uncollateralized and nonrecourse to Entre and the Organization.

A summary of the notes payable at December 31 follows:

	2022	2021
Notes payable in original principal amounts totaling \$237,500; due in annual principal installments equal to the principal collections of the underlying promissory notes; bearing interest at 3%; maturing June 2027 (Tranche 1)	149,391	191,692
Note payable in original principal amount totaling \$145,104; due in annual installments of \$26,924; bearing interest at 7%; maturing January 2029 (Tranche 2)	145,104	-
Total	\$ 294,495	\$ 191,692

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

	2022	2021
Public charity (DAF's)	\$ 257,540	\$ 144,273
Companies	11,794	15,134
Individuals	25,161	32,285
Total	\$ 294,495	\$ 191,692

The minimum future payments on the notes payable at December 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 60,147	\$ 14,639	\$ 74,786
2024	55,925	12,164	68,089
2025	33,855	9,768	43,623
2026	35,948	7,985	43,933
2027	38,174	6,085	44,259
Thereafter	70,446	10,304	80,750
Total	\$ 294,495	\$ 60,945	\$ 355,440

On September 16, 2022, Entre entered into a loan agreement with a bank for the purpose of extending credit to borrowers in its target population pursuant to its certification by the CDFI Fund. Under the agreement, Entre may borrow up to \$200,000, bearing interest at the Prime Rate plus one percent, as defined in the agreement, and maturing on September 16, 2023. At December 31, 2022, no funds had been disbursed under the loan agreement.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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. As of December 31, 2022, \$300,000 of the grant was paid. The remaining installment of \$500,000 is expected to be paid in 2023.

LONG-TERM DEBT

Mortgages

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

	2022	2021
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	\$ 269,301	\$ 280,860
Mortgage payable in the original principal amount of \$101,274, due in monthly installments of \$1,063; bearing interest at 4.71%; maturing March 11, 2032	95,211	-
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	-	-
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	-	114,684
Total	\$ 364,512	\$ 395,544

The mortgages payable are collateralized by the Organization's real property with a net carrying value of \$481,574 and \$433,704 at December 31, 2022 and 2021, respectively.

The minimum future payments on the notes payable at December 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 20,433	\$ 4,364	\$ 24,797
2024	266,059	3,966	270,025
2025	9,236	3,525	12,761
2026	9,686	3,074	12,760
2027	10,159	2,601	12,760
Thereafter	48,939	7,832	56,771
Total	\$ 364,512	\$ 25,362	\$ 389,874

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PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 697,830	\$ 701,566
Purpose restricted	<u>33,713</u>	<u>378,230</u>
Total	<u>\$ 731,543</u>	<u>\$1,079,796</u>

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

	<u>2022</u>	<u>2021</u>
Internally-designated	\$ 508,400	\$ 157,889
Unrestricted	<u>3,981,677</u>	<u>2,906,742</u>
Total	<u>\$4,490,077</u>	<u>\$3,064,631</u>

SUPPORT

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

	<u>2022</u>	<u>2021</u>
Foundations	\$ 2,252,574	\$ 1,544,186
Individuals and participants	840,304	677,463
Corporations	461,666	183,211
Churches	58,000	79,500
Government grants	-	114,708
Board members	<u>258,411</u>	<u>363,975</u>
Total	<u>\$ 3,870,955</u>	<u>\$ 2,963,043</u>

IN-KIND SUPPORT

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

	<u>2022</u>	<u>2021</u>
Stock contributed from Board members	\$ -	\$ 22,470
Professional services and supplies	26,820	10,514
Property and equipment	45,104	18,000
Stock contributed from individuals	<u>8,652</u>	<u>25,640</u>
Total	<u>\$ 80,576</u>	<u>\$ 76,624</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PPP LOAN FORGIVENESS

On April 10, 2020, PEP entered into a note payable agreement with a bank for \$315,492 under the Paycheck Protection Program (PPP). PEP accounted for the potential forgiveness of the loan in accordance with authoritative guidance. The PPP loan was wholly forgiven on January 19, 2021 and is recognized as PPP loan forgiveness in the 2021 consolidated statement of activities.

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.

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:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 2,888,840	\$ 2,938,500
Receivables	697,830	701,566
Promissory notes receivable	689,157	231,361
Less		
Receivables due in more than one year	(11,186)	(88,487)
Promissory notes receivable due in more than one year	(606,127)	(166,451)
Donor restricted for specific purposes	(33,713)	(378,230)
Internally-designated cash	<u>(508,400)</u>	<u>(157,889)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,116,401</u>	<u>\$ 3,080,370</u>

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, 2022 and 2021, the Organization's match was \$34,677 and \$33,024, respectively.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 2022 and 2021 the Organization's uninsured cash balances at the banks approximated \$1,918,000 and \$1,769,000, 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

Subsequent events have been evaluated through May 31, 2023 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, 2022

	<u>PEP</u>	<u>HCH</u>	<u>CVI</u>	<u>Entre</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets						
Cash	\$ 2,700,872	\$ 47,760	\$ 29,989	\$ 110,219	\$ -	\$ 2,888,840
Receivables						
Donations	697,830	-	-	500,000	(500,000)	697,830
2nd chance loans	-	-	-	689,157	-	689,157
Subsidiaries	321,093	-	-	-	(321,093)	-
Prepays, deposits, and other	51,574	1,735	1,422	6,019	-	60,750
Property and equipment, net	1,849,046	980,067	-	-	-	2,829,113
Investments in closely held entities	584,213	-	-	-	(584,213)	-
Total Assets	<u>\$ 6,204,628</u>	<u>\$ 1,029,562</u>	<u>\$ 31,411</u>	<u>\$ 1,305,395</u>	<u>\$ (1,405,306)</u>	<u>\$ 7,165,690</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 600,774	\$ 242,985	\$ 47,695	\$ 53,208	\$ (821,093)	\$ 123,569
Accrued salaries and payroll taxes	126,235	-	-	-	-	126,235
Long-term debt						
Due currently	109,488	20,433	-	60,147	-	190,068
Due afterwards						
Transition home mortgages	-	344,079	-	-	-	344,079
Social impact investor loans	-	-	-	234,348	-	234,348
Capital lease obligations	925,771	-	-	-	-	925,771
Total Liabilities	<u>1,762,268</u>	<u>607,497</u>	<u>47,695</u>	<u>347,703</u>	<u>(821,093)</u>	<u>1,944,070</u>
Net Assets						
With donor restrictions	731,543	-	-	-	-	731,543
Without donor restrictions	<u>3,710,817</u>	<u>422,065</u>	<u>(16,284)</u>	<u>957,692</u>	<u>(584,213)</u>	<u>4,490,077</u>
Total Net Assets	<u>4,442,360</u>	<u>422,065</u>	<u>(16,284)</u>	<u>957,692</u>	<u>(584,213)</u>	<u>5,221,620</u>
Total Liabilities and Net Assets	<u>\$ 6,204,628</u>	<u>\$ 1,029,562</u>	<u>\$ 31,411</u>	<u>\$ 1,305,395</u>	<u>\$ (1,405,306)</u>	<u>\$ 7,165,690</u>

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

	<u>PEP</u>	<u>HCH</u>	<u>CVI</u>	<u>Entre</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets						
Cash	\$ 2,642,105	\$ 111,497	\$ 27,009	\$ 157,889	\$ -	\$ 2,938,500
Receivables						
Donations	626,566	-	-	75,000	-	701,566
2nd chance loans	-	-	-	231,361	-	231,361
Subsidiaries	234,089	-	-	-	(234,089)	-
Prepays, 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	<u>\$ 5,364,045</u>	<u>\$ 984,547</u>	<u>\$ 27,629</u>	<u>\$ 472,365</u>	<u>\$ (817,175)</u>	<u>\$ 6,031,411</u>
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	<u>1,009,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,009,771</u>
Total Liabilities	<u>1,292,222</u>	<u>580,275</u>	<u>47,918</u>	<u>200,658</u>	<u>(234,089)</u>	<u>1,886,984</u>
Net Assets						
With donor restrictions	1,079,796	-	-	-	-	1,079,796
Without donor restrictions	<u>2,992,027</u>	<u>404,272</u>	<u>(20,289)</u>	<u>271,707</u>	<u>(583,086)</u>	<u>3,064,631</u>
Total Net Assets	<u>4,071,823</u>	<u>404,272</u>	<u>(20,289)</u>	<u>271,707</u>	<u>(583,086)</u>	<u>4,144,427</u>
Total Liabilities and Net Assets	<u>\$ 5,364,045</u>	<u>\$ 984,547</u>	<u>\$ 27,629</u>	<u>\$ 472,365</u>	<u>\$ (817,175)</u>	<u>\$ 6,031,411</u>

**Prison Entrepreneurship Program
Consolidating Statement of Activities
For the Year Ended December 31, 2022**

	<u>PEP</u>	<u>HCH</u>	<u>CVI</u>	<u>Entre</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support and Revenue						
Support	\$ 3,870,196	\$ -	\$ -	\$ 904,127	\$ (903,368)	\$ 3,870,955
Rental income	-	189,528	-	-	(24,750)	164,778
Interest and other income	68,132	2,331	5,136	22,131	(34,475)	63,255
In-kind support	<u>80,576</u>	<u>-</u>	<u>-</u>	<u>24,220</u>	<u>(24,220)</u>	<u>80,576</u>
Total support and revenue	4,018,904	191,859	5,136	950,478	(986,813)	4,179,564
Operating Expenses						
Program	3,124,085	175,193	1,131	264,493	(986,813)	2,578,089
Fundraising	260,423	-	-	-	-	260,423
Administrative	<u>263,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,859</u>
Total expenses	<u>3,648,367</u>	<u>175,193</u>	<u>1,131</u>	<u>264,493</u>	<u>(986,813)</u>	<u>3,102,371</u>
Increase in Net Assets	370,537	16,666	4,005	685,985	-	1,077,193
Net Assets						
Beginning of year	4,071,823	404,272	(20,289)	271,707	(583,086)	4,144,427
Contributions	<u>-</u>	<u>1,127</u>	<u>-</u>	<u>-</u>	<u>(1,127)</u>	<u>-</u>
End of year	<u>\$ 4,442,360</u>	<u>\$ 422,065</u>	<u>\$ (16,284)</u>	<u>\$ 957,692</u>	<u>\$ (584,213)</u>	<u>\$ 5,221,620</u>

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

	<u>PEP</u>	<u>HCH</u>	<u>CVI</u>	<u>Entre</u>	<u>Eliminations</u>	<u>Consolidated</u>
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	<u>76,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,624</u>
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	<u>260,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,379</u>
Total expenses	<u>2,624,155</u>	<u>201,341</u>	<u>473</u>	<u>54,014</u>	<u>(266,908)</u>	<u>2,613,075</u>
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	<u>-</u>	<u>11,115</u>	<u>-</u>	<u>171</u>	<u>(11,286)</u>	<u>-</u>
End of year	<u>\$ 4,071,823</u>	<u>\$ 404,272</u>	<u>\$ (20,289)</u>	<u>\$ 271,707</u>	<u>\$ (583,086)</u>	<u>\$ 4,144,427</u>

prison
entrepreneurship
program