

**PRISON ENTREPRENEURSHIP PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022**

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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, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022 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.

Auditor's Responsibilities 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, 2023 and 2022 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 25, 2024
Houston, Texas



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PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash, unrestricted	\$ 1,256,396	\$ 2,380,440
Cash, restricted and designated	193,436	508,400
Short-term investments	1,414,918	-
Receivables	324,850	697,830
Promissory notes receivable - 2nd chance business loans, net of loan loss allowance of \$76,261 in 2023 and \$63,800 in 2022	775,939	689,157
Prepaid expenses, deposits and other assets	77,131	60,750
Property and equipment, net of accumulated depreciation and amortization of \$1,252,611 in 2023 and \$932,476 in 2022	<u>2,646,299</u>	<u>2,829,113</u>
Total Assets	<u>\$ 6,688,969</u>	<u>\$ 7,165,690</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 77,560	\$ 123,569
Accrued salaries and payroll taxes	142,826	126,235
Long-term debt - current maturities	169,858	190,068
Long-term debt		
Transition home mortgages	324,549	344,079
Social impact investor loans	132,271	234,348
Capital lease obligations	<u>813,953</u>	<u>925,771</u>
Total liabilities	<u>1,661,017</u>	<u>1,944,070</u>
NET ASSETS		
With donor restrictions	253,087	731,543
Without donor restrictions	<u>4,774,865</u>	<u>4,490,077</u>
Total net assets	<u>5,027,952</u>	<u>5,221,620</u>
Total Liabilities and Net Assets	<u>\$ 6,688,969</u>	<u>\$ 7,165,690</u>

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PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
SUPPORT AND REVENUE						
Support	\$ 2,928,135	\$ 470,063	\$ 3,398,198	\$ 2,933,411	\$ 937,544	\$ 3,870,955
Rental income	164,992	-	164,992	164,778	-	164,778
Interest and other income	156,018	-	156,018	63,255	-	63,255
Debt forgiveness	46,126	-	46,126	-	-	-
In-kind support	<u>42,538</u>	<u>-</u>	<u>42,538</u>	<u>80,576</u>	<u>-</u>	<u>80,576</u>
Total support and revenue	3,337,809	470,063	3,807,872	3,242,020	937,544	4,179,564
RELEASE OF RESTRICTIONS	<u>948,519</u>	<u>(948,519)</u>	<u>-</u>	<u>1,285,797</u>	<u>(1,285,797)</u>	<u>-</u>
Total support, revenue and releases	<u>4,286,328</u>	<u>(478,456)</u>	<u>3,807,872</u>	<u>4,527,817</u>	<u>(348,253)</u>	<u>4,179,564</u>
OPERATING EXPENSES						
Programs	3,432,364	-	3,432,364	2,578,089	-	2,578,089
Fundraising	277,741	-	277,741	260,423	-	260,423
Administrative	<u>291,435</u>	<u>-</u>	<u>291,435</u>	<u>263,859</u>	<u>-</u>	<u>263,859</u>
Total expenses	<u>4,001,540</u>	<u>-</u>	<u>4,001,540</u>	<u>3,102,371</u>	<u>-</u>	<u>3,102,371</u>
INCREASE (DECREASE) IN NET ASSETS	284,788	(478,456)	(193,668)	1,425,446	(348,253)	1,077,193
NET ASSETS						
BEGINNING 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>
END OF YEAR	<u>\$ 4,774,865</u>	<u>\$ 253,087</u>	<u>\$ 5,027,952</u>	<u>\$ 4,490,077</u>	<u>\$ 731,543</u>	<u>\$ 5,221,620</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, 2023 AND 2022

INCREASE (DECREASE) IN CASH

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ <u>(193,668)</u>	\$ <u>1,077,193</u>
Adjustments		
Donated stocks	(32,657)	(8,652)
Donated equipment	(7,830)	(45,104)
(Gain) loss on sale of donated stocks	387	(30)
Depreciation and amortization	343,855	256,362
Gain on disposition of equipment	(3,868)	-
Forgiveness of debt	(46,126)	-
Non-cash change in loan loss allowance	243,826	51,800
Payment of capital operating lease obligations	(109,487)	(72,175)
Changes in		
Receivables	434,083	3,736
Prepaid expenses, deposits and other assets	(19,006)	(192)
Accounts payable and accrued liabilities	(11,009)	59,567
Accrued salaries and payroll taxes	<u>16,591</u>	<u>(2,078)</u>
Total adjustments	<u>808,759</u>	<u>243,234</u>
Net cash provided by operating activities	<u>615,091</u>	<u>1,320,427</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of donated stocks	17,275	8,682
Proceeds from sales of equipment and vehicle	11,000	4,036
Recovery of participant business loans charged off	19,000	-
Participant business loans originated	(595,354)	(703,620)
Participant business loans repaid	245,746	194,024
Change in short-term investments, net	(1,399,923)	-
Change in investments, net	-	13,141
Purchase of property and equipment	<u>(253,821)</u>	<u>(958,122)</u>
Net cash used by investing activities	<u>(1,956,077)</u>	<u>(1,441,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from social impact investor loans	-	145,104
Payment of social impact investor loans	(77,589)	(42,300)
Proceeds from mortgage debt	-	101,274
Payment of mortgage debt	<u>(20,433)</u>	<u>(132,306)</u>
Net cash provided (used) by financing activities	<u>(98,022)</u>	<u>71,772</u>
NET DECREASE IN CASH	(1,439,008)	(49,660)
CASH BEGINNING OF YEAR	<u>2,888,840</u>	<u>2,938,500</u>
CASH END OF YEAR	<u>\$ 1,449,832</u>	<u>\$ 2,888,840</u>

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PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Programs									
	Prerelease	Re-entry	Housing	Lending	Incubating	Other	Total	Fundraising	Administrative	Total
Salaries	\$ 732,177	\$ 382,630	\$ 35,497	\$ 175,867	\$ 76,875	\$ 64,902	\$1,467,948	\$ 163,945	\$ 172,032	\$1,803,925
Automobile/transportation	21,224	11,092	1,029	3,307	2,228	1,881	40,761	4,752	4,988	50,501
Bad debts	-	-	-	243,826	-	-	243,826	-	-	243,826
Bank charges	5,168	2,701	549	4,749	543	458	14,168	1,157	1,214	16,539
Benefits/payroll taxes	157,589	82,355	7,640	31,494	16,546	13,969	309,593	35,287	37,027	381,907
Computer	20,628	5,326	494	86,086	1,070	903	114,507	2,282	2,393	119,182
Contractual services	101,553	35,191	3,265	10,493	7,070	5,969	163,541	15,078	15,822	194,441
Curriculum	1,008	-	-	-	-	-	1,008	-	-	1,008
Depreciation/amortization	138,540	57,647	58,502	17,189	11,582	9,778	293,238	24,700	25,917	343,855
Development services	-	-	-	51,206	-	-	51,206	-	-	51,206
Events	64,305	10,925	1,014	3,258	2,195	42,833	124,530	4,681	4,912	134,123
Food/entertainment	5,758	50,473	76	2,328	359	1,942	60,936	349	368	61,653
Insurance	15,005	7,841	15,873	2,338	1,576	1,330	43,963	3,360	3,525	50,848
Interest	17,872	9,340	16,038	16,006	1,876	1,584	62,716	4,002	4,199	70,917
Loan paid third party	-	-	-	38,000	-	-	38,000	-	-	38,000
Other	13,881	24,587	2,934	3,587	3,892	8,175	57,056	2,567	2,693	62,316
Postage	9,772	3,425	278	895	923	1,020	16,313	1,286	1,350	18,949
Professional fees	5,936	3,102	1,783	7,328	1,148	526	19,823	1,329	1,395	22,547
Program education	3,166	1,655	154	493	332	281	6,081	709	744	7,534
Property lease	1,578	825	77	246	166	140	3,032	353	370	3,755
Property taxes	447	234	5,137	70	47	40	5,975	100	104	6,179
Recovery expense	-	-	-	12,395	-	-	12,395	-	-	12,395
Re-entry housing	-	10,435	-	-	-	-	10,435	-	-	10,435
Repair and maintenance	11,314	5,913	5,942	1,763	1,188	1,003	27,123	2,533	2,658	32,314
Staff training/appreciation	8,546	4,466	414	1,332	897	758	16,413	1,914	2,008	20,335
Supplies	22,703	36,639	15,711	1,379	876	785	78,093	1,982	2,079	82,154
Travel	8,991	1,880	107	818	3,077	1,291	16,164	494	517	17,175
Utilities	21,799	11,392	92,711	3,397	2,289	1,932	133,520	4,881	5,120	143,521
	<u>\$1,388,960</u>	<u>\$ 760,074</u>	<u>\$ 265,225</u>	<u>\$ 719,850</u>	<u>\$ 136,755</u>	<u>\$ 161,500</u>	<u>\$3,432,364</u>	<u>\$ 277,741</u>	<u>\$ 291,435</u>	<u>\$4,001,540</u>

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

PRISON ENTREPRENEURSHIP PROGRAM

CONSOLIDATED STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Programs									
	Prerelease	Re-entry	Housing	Lending	Incubating	Other	Total	Fundraising	Administrative	Total
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>

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

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, 2023 and 2022.

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, 2023 and 2022.

During 2019, PEP established a wholly-owned subsidiary, Entre Capital LLC (Entre) to be a private, commercial lender serving returned citizen 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, 2023 and 2022.

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 - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization adopted ASU 2016-13 effective January 1, 2023 using a modified retrospective approach, which did not have a material impact on the consolidated financial statements.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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. 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, loans and accrued interest receivable on short term investments. 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. Receivables are considered fully collectible, hence no allowance for doubtful accounts is considered necessary.

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.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets (continued) - 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, 2023 and 2022.

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 \$7,000, which substantially eliminate any tax liability; 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 2020.

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.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses - The financial statements report expenses some of which 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 returned 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 returned citizen entrepreneurs. The incubating program provides business support and entrepreneurship services to returned citizen entrepreneurs.

Reclassifications - Certain amounts from 2022 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.

Date of Management Review - Subsequent events have been evaluated through June 25, 2024 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:

	2023	2022
Checking and saving	\$1,010,118	\$1,118,484
Sweeps and other	439,714	1,770,356
Total	<u>\$1,449,832</u>	<u>\$2,888,840</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.

SHORT-TERM INVESTMENTS

Short-term investments at December 31, 2023 consist of U.S. Treasury bills with original maturities greater than 3 months, exchange traded funds, and publicly traded stocks donated to the Organization. The Organization sells any stocks donated. All stocks held at the end of the fiscal year 2023 were sold within the first two months of the fiscal year 2024.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SHORT-TERM INVESTMENT (CONTINUED)

Short-term investments are considered Level 1 investments. A summary of short-term investments at December 31, 2023 follows:

U.S. Treasury Bill maturing February 2024	\$ 700,284
U.S. Treasury Bill maturing March 2024	350,055
U.S. Treasury Bill maturing April 2024	349,585
Exchange traded funds	6,431
Stocks	8,563
Total	<u>\$1,414,918</u>

RECEIVABLES

A summary of receivables at December 31 follows:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give, as discounted	\$ 253,087	\$ 697,830
Loans and other receivables, net	<u>71,763</u>	<u>-</u>
Total	<u>\$ 324,850</u>	<u>\$ 697,830</u>

Receivables are expected to be collected as follows:

Unconditional promises to give	<u>Gross</u>	<u>Discount</u>	<u>Net</u>
2024	\$ 249,043	\$ 104	\$ 248,939
2025	<u>4,166</u>	<u>18</u>	<u>4,148</u>
Total	<u>\$ 253,209</u>	<u>\$ 122</u>	<u>\$ 253,087</u>

Loans and other	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 24,319	\$ 3,615	\$ 27,934
2025	8,212	3,061	11,273
2026	8,806	2,467	11,273
2027	9,443	1,830	11,273
2028	10,125	1,148	11,273
Later	<u>10,858</u>	<u>415</u>	<u>11,273</u>
Total	<u>\$ 71,763</u>	<u>\$ 12,536</u>	<u>\$ 84,299</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 238,747	\$ 238,747
Buildings and leasehold improvements	1,694,361	1,662,593
Capital leases	1,122,858	1,122,858
Equipment and furniture	709,790	627,162
Vehicles	<u>133,154</u>	<u>110,229</u>
Total cost or donated value	3,898,910	3,761,589
Less accumulated depreciation and amortization	<u>1,252,611</u>	<u>932,476</u>
Property and equipment, net	<u>\$2,646,299</u>	<u>\$2,829,113</u>

CAPITAL LEASES

The Organization leases office facilities under operating leases with one to five 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.

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

	<u>2023</u>	<u>2022</u>
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	\$ 111,818	\$ 109,487
Capital lease obligations	<u>813,953</u>	<u>925,771</u>
Total capital lease obligations	<u>\$ 925,771</u>	<u>\$1,035,258</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:

	<u>2023</u>	<u>2022</u>
Capital operating lease amortization	<u>\$ 132,128</u>	<u>\$ 132,128</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CAPITAL LEASES (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of capital operating lease liabilities:		
Cash flows for capital operating leases	\$ <u>109,487</u>	\$ <u>72,175</u>

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

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term	<u>85 months</u>	<u>97 months</u>
Weighted average discount rate	<u>4.32%</u>	<u>4.32%</u>

The maturities of capital operating lease liabilities at December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 111,818	\$ 37,676	\$ 149,494
2025	88,452	33,348	121,800
2026	98,876	29,424	128,300
2027	116,578	24,722	141,300
2028	121,702	19,598	141,300
Later	<u>388,345</u>	<u>25,460</u>	<u>413,805</u>
Total	<u>\$ 925,771</u>	<u>\$ 170,228</u>	<u>\$1,095,999</u>

SOCIAL IMPACT INVESTING

Community Development Financial Institution (CDFI)

Entre is a private, commercial, CDFI loan fund serving returned citizen businesses in Texas. Entre's lending program is open to any returned citizen business in Texas. 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 returned 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.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SOCIAL IMPACT INVESTING (CONTINUED)

Lending Activities

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

	<u>2023</u>	<u>2022</u>
PEP alumni businesses	\$ 816,444	\$ 712,474
Other returned citizen businesses	<u>35,756</u>	<u>40,483</u>
Total loans	852,200	752,957
Less loan loss allowance	<u>(76,261)</u>	<u>(63,800)</u>
Net loans	<u>\$ 775,939</u>	<u>\$ 689,157</u>

The composition of the promissory notes at December 31 follows:

	<u>2023</u>	<u>2022</u>
Number of borrowers	28	24
Original principal amounts	\$1,050,553	\$ 896,428
Total monthly installments	\$ 20,540	\$ 20,591
Interest rates	5% to 10%	4% to 7.5%

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. A summary of the loan loss allowance for the year ended December 31 follows:

	<u>2023</u>	<u>2022</u>
Beginning loan loss allowance	\$ 63,800	\$ 12,000
Bad debt expense	243,826	51,800
Charge offs	(250,365)	-
Recoveries	<u>19,000</u>	<u>-</u>
Ending loan loss allowance	<u>\$ 76,261</u>	<u>\$ 63,800</u>

The promissory notes at December 31, 2023 are expected to be collected as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 261,821	\$ 45,742	\$ 307,563
2025	157,883	32,253	190,136
2026	144,590	21,361	165,951
2027	132,144	10,815	142,959
2028	78,053	2,935	80,988
Later	<u>77,709</u>	<u>3</u>	<u>77,712</u>
Total	<u>\$ 852,200</u>	<u>\$ 113,109</u>	<u>\$ 965,309</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SOCIAL IMPACT INVESTING (CONTINUED)

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 grant was recognized based on attainment of specified performance measures with \$75,000 recognized as support in 2021 and the remaining \$50,000 received and recognized in 2023. 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 2023. TA2 was paid to and recognized as support by Entre in 2023.

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:

	<u>2023</u>	<u>2022</u>
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)	42,443	149,391
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)	<u>128,337</u>	<u>145,104</u>
Total	<u>\$ 170,780</u>	<u>\$ 294,495</u>

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

	<u>2023</u>	<u>2022</u>
Public charity (DAF's)	\$ 160,281	\$ 257,540
Companies	3,351	11,794
Individuals	<u>7,148</u>	<u>25,161</u>
Total	<u>\$ 170,780</u>	<u>\$ 294,495</u>

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SOCIAL IMPACT INVESTING (CONTINUED)

Capital Structure (continued)

The minimum future payments on the notes payable at December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 38,509	\$ 10,257	\$ 48,766
2025	24,912	8,384	33,296
2026	26,548	6,869	33,417
2027	28,294	5,251	33,545
2028	27,354	3,523	30,877
Thereafter	<u>25,163</u>	<u>1,761</u>	<u>26,924</u>
Total	<u>\$ 170,780</u>	<u>\$ 36,045</u>	<u>\$ 206,825</u>

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. The loan was modified in 2024 as discussed in the subsequent events note. At December 31, 2023 and 2022, no funds had been disbursed under the loan agreement.

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 was paid in 2023.

Debt Forgiveness

Entre entered into note payable agreements with a public charity (Tranche 1 on February 7, 2020) that receives donor advised fund (DAF) capital for the purpose of making mission-related impact investments. Tranche 1 requires principal repayment and debt forgiveness equal to the principal collections and charge offs, respectively, of the underlying 2nd chance business loans. In 2023, the Organization recognized \$46,126 of debt forgiveness related to Tranche 1.

LONG-TERM DEBT

Mortgages

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

	<u>2023</u>	<u>2022</u>
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	\$ 257,265	\$ 269,301
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	<u>86,815</u>	<u>95,211</u>
Total	<u>\$ 344,080</u>	<u>\$ 364,512</u>

PRISON ENTREPRENEURSHIP PROGRAM

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 \$462,275 and \$481,574 at December 31, 2023 and 2022, respectively.

On February 1, 2024, the Organization refinanced the note payable maturing February 1, 2024 to extend the maturity date to February 1, 2029 and modify the interest rate to 6.5%. The minimum future payments on the notes payable, including the refinanced note, at December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 19,531	\$ 19,472	\$ 39,003
2025	20,262	19,442	39,704
2026	21,462	18,242	39,704
2027	22,735	16,969	39,704
2028	24,039	15,665	39,704
Thereafter	<u>236,051</u>	<u>5,326</u>	<u>241,377</u>
Total	<u>\$ 344,080</u>	<u>\$ 95,116</u>	<u>\$ 439,196</u>

NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 253,087	\$ 697,830
Purpose restricted	-	33,713
Total	<u>\$ 253,087</u>	<u>\$ 731,543</u>

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

	<u>2023</u>	<u>2022</u>
Internally-designated	\$ 543,436	\$ 508,400
Unrestricted	4,231,429	3,981,677
Total	<u>\$4,774,865</u>	<u>\$4,490,077</u>

SUPPORT

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

	<u>2023</u>	<u>2022</u>
Foundations	\$ 1,980,998	\$ 2,252,574
Individuals and participants	790,421	840,304
Corporations	185,790	461,666
Churches	48,000	58,000
Technical Assistance grant	175,000	-
Board members	<u>217,989</u>	<u>258,411</u>
Total	<u>\$ 3,398,198</u>	<u>\$ 3,870,955</u>

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PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IN-KIND SUPPORT

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

	<u>2023</u>	<u>2022</u>
Professional services and supplies	\$ 2,051	\$ 26,820
Property and equipment	7,830	45,104
Stock contributed from individuals	<u>32,657</u>	<u>8,652</u>
Total	<u>\$ 42,538</u>	<u>\$ 80,576</u>

Contributed stocks not sold during the year contributed are included in short-term investments in the consolidated statement of financial position in 2023.

RELEASES

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

EMPLOYEE BENEFIT PLAN

Organization employees who meet minimum qualifications for annual earnings and length of employment are eligible to participate in the Organization's SIMPLE IRA plan with the Organization matching each participating employee's contribution up to 3% of the employee's compensation. All plan assets are participant directed. For the years ended December 31, 2023 and 2022, the Organization's match was \$36,323 and \$34,677, respectively.

ADDITIONAL CASH FLOW INFORMATION

	<u>2023</u>	<u>2022</u>
Cash paid for interest	\$ <u>72,335</u>	\$ <u>68,817</u>

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, 2023 and 2022 the Organization's uninsured cash balances at the banks approximated \$432,000 and \$1,918,000, 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.

PRISON ENTREPRENEURSHIP PROGRAM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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>2023</u>	<u>2022</u>
Financial assets		
Cash	\$ 1,449,832	\$ 2,888,840
Short-term investments	1,414,918	-
Receivables	324,850	697,830
Promissory notes receivable	775,939	689,157
Less		
Receivables due in more than one year	(51,592)	(11,186)
Promissory notes receivable due in more than one year	(590,379)	(606,127)
Donor restricted for specific purposes	-	(33,713)
Internally-designated cash	<u>(543,436)</u>	<u>(508,400)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,780,132</u>	<u>\$ 3,116,401</u>

SUBSEQUENT EVENTS

As previously disclosed, on February 1, 2024, a transition home mortgage note was refinanced. The future maturities of the refinanced note are included in the Long-Term Debt note.

On March 5, 2024, the Organization received a \$2,000,000 unrestricted grant from a foundation. This grant process was a national competition with 6,353 applicants. The Organization was awarded in the top prize category based on the Organization's potential impact as judged by the Organization's peers and the foundation's external evaluators. The grant was paid in March 2024.

On June 6, 2024, Entre entered into a loan modification agreement, which extended the maturity date of the loan agreement from the original date of September 16, 2023 to June 10, 2024. On June 7, 2024, Entre entered into a second loan modification agreement which increased the principal amount of the loan from \$200,000 to \$400,000 and extended the maturity date of the loan agreement to June 10, 2025.

Subsequent events have been evaluated through June 25, 2024 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, 2023

	<u>PEP</u>	<u>HCH</u>	<u>CVI</u>	<u>Entre</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets						
Cash	\$ 1,125,283	\$ 95,695	\$ 35,418	\$ 193,436	\$ -	\$ 1,449,832
Short-term investments	1,414,918	-	-	-	-	1,414,918
Receivables						
Donations	253,087	-	-	-	-	253,087
2nd chance loans	-	-	-	775,939	-	775,939
Other	71,763	-	-	-	-	71,763
Subsidiaries	319,801	-	4,250	6,000	(330,051)	-
Prepays, deposits, and other	66,243	1,867	2,445	7,016	(440)	77,131
Property and equipment, net	1,700,389	945,910	-	-	-	2,646,299
Investments in closely-held entities	<u>606,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(606,231)</u>	<u>-</u>
Total Assets	<u>\$ 5,557,715</u>	<u>\$ 1,043,472</u>	<u>\$ 42,113</u>	<u>\$ 982,391</u>	<u>\$ (936,722)</u>	<u>\$ 6,688,969</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 62,316	\$ 272,962	\$ 47,991	\$ 24,782	\$ (330,491)	\$ 77,560
Accrued salaries and payroll taxes	142,826	-	-	-	-	142,826
Long-term debt						
Due currently	111,818	19,531	-	38,509	-	169,858
Due afterwards						
Transition home mortgages	-	324,549	-	-	-	324,549
Social impact investor loans	-	-	-	132,271	-	132,271
Capital lease obligations	<u>813,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>813,953</u>
Total Liabilities	<u>1,130,913</u>	<u>617,042</u>	<u>47,991</u>	<u>195,562</u>	<u>(330,491)</u>	<u>1,661,017</u>
Net Assets						
With donor restrictions	253,087	-	-	-	-	253,087
Without donor restrictions	<u>4,173,715</u>	<u>426,430</u>	<u>(5,878)</u>	<u>786,829</u>	<u>(606,231)</u>	<u>4,774,865</u>
Total Net Assets	<u>4,426,802</u>	<u>426,430</u>	<u>(5,878)</u>	<u>786,829</u>	<u>(606,231)</u>	<u>5,027,952</u>
Total Liabilities and Net Assets	<u>\$ 5,557,715</u>	<u>\$ 1,043,472</u>	<u>\$ 42,113</u>	<u>\$ 982,391</u>	<u>\$ (936,722)</u>	<u>\$ 6,688,969</u>

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See independent auditors' report.

Prison Entrepreneurship Program
Consolidating Statement of Financial Position
December 31, 2022

	PEP	HCH	CVI	Entre	Eliminations	Consolidated
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	3,710,817	422,065	(16,284)	957,692	(584,213)	4,490,077
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>

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**Prison Entrepreneurship Program
Consolidating Statement of Activities
For the Year Ended December 31, 2023**

	<u>PEP</u>	<u>HCH</u>	<u>CVI</u>	<u>Entre</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support and Revenue						
Support	\$ 3,222,166	\$ -	\$ -	\$ 283,407	\$ (107,375)	\$ 3,398,198
Rental income	-	187,432	-	-	(22,440)	164,992
Interest and other income	118,915	-	10,931	54,035	(27,863)	156,018
Debt forgiveness	-	-	-	46,126	-	46,126
In-kind support	<u>42,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,538</u>
Total support and revenue	3,383,619	187,432	10,931	383,568	(157,678)	3,807,872
Operating Expenses						
Programs	2,830,001	205,085	525	554,431	(157,678)	3,432,364
Fundraising	277,741	-	-	-	-	277,741
Administrative	<u>291,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,435</u>
Total expenses	<u>3,399,177</u>	<u>205,085</u>	<u>525</u>	<u>554,431</u>	<u>(157,678)</u>	<u>4,001,540</u>
Increase in Net Assets	(15,558)	(17,653)	10,406	(170,863)	-	(193,668)
Net Assets						
Beginning of year	4,442,360	422,065	(16,284)	957,692	(584,213)	5,221,620
Contributions	<u>-</u>	<u>22,018</u>	<u>-</u>	<u>-</u>	<u>(22,018)</u>	<u>-</u>
End of year	<u>\$ 4,426,802</u>	<u>\$ 426,430</u>	<u>\$ (5,878)</u>	<u>\$ 786,829</u>	<u>\$ (606,231)</u>	<u>\$ 5,027,952</u>

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**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						
Programs	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 (Decrease) 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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See independent auditors' report.