

**PRISON ENTREPRENEURSHIP PROGRAM  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023 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, 2024 and 2023 and the consolidating statements of activities for the years then ended on pages 23-26 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Pittsford Samuels, PLLC*

June 27, 2025  
Houston, Texas



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**PRISON ENTREPRENEURSHIP PROGRAM**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2024 AND 2023**

|  | <u>2024</u>                | <u>2023</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| Cash, unrestricted   | \$ 965,272                 | \$ 1,256,396               |
| Cash, restricted and designated  | 405,692                    | 193,436                    |
| Short-term investments   | 2,031,976                  | 1,414,918                  |
| Receivables  | 917,037                    | 324,850                    |
| Promissory notes receivable - 2nd chance business loans,<br>net of loan loss allowance of \$29,723 in 2024 and<br>\$76,261 in 2023 | 612,156                    | 775,939                    |
| Prepaid expenses, deposits and other assets  | 92,990                     | 77,131                     |
| Property and equipment, net of accumulated<br>depreciation and amortization of \$1,521,583 in 2024 and<br>\$1,252,611 in 2023      | <u>2,908,158</u>           | <u>2,646,299</u>           |
| <b>Total Assets</b>  | <b><u>\$ 7,933,281</u></b> | <b><u>\$ 6,688,969</u></b> |
| <b>LIABILITIES</b>   |                            |                            |
| Accounts payable and accrued liabilities   | \$ 183,573                 | \$ 77,560                  |
| Accrued salaries and payroll taxes   | 149,349                    | 142,826                    |
| Long-term debt - current maturities  | 144,543                    | 169,858                    |
| Long-term debt   |                            |                            |
| Transition home mortgages  | 304,287                    | 324,549                    |
| Social impact investor loans   | 107,034                    | 132,271                    |
| Capital lease obligations  | <u>980,293</u>             | <u>813,953</u>             |
| Total liabilities  | <u>1,869,079</u>           | <u>1,661,017</u>           |
| <b>NET ASSETS</b>  |                            |                            |
| With donor restrictions  | 1,148,736                  | 253,087                    |
| Without donor restrictions   | <u>4,915,466</u>           | <u>4,774,865</u>           |
| Total net assets   | <u>6,064,202</u>           | <u>5,027,952</u>           |
| <b>Total Liabilities and Net Assets</b>  | <b><u>\$ 7,933,281</u></b> | <b><u>\$ 6,688,969</u></b> |

# PRISON ENTREPRENEURSHIP PROGRAM

## CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

|  | 2024                          |                            |                     | 2023                          |                            |                     |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|  | Without donor<br>Restrictions | With donor<br>Restrictions | Total               | Without donor<br>Restrictions | With donor<br>Restrictions | Total               |
| <b>SUPPORT AND REVENUE</b>               |                               |                            |                     |                               |                            |                     |
| Support                                  | \$ 3,416,954                  | \$ 1,635,374               | \$ 5,052,328        | \$ 2,928,135                  | \$ 470,063                 | \$ 3,398,198        |
| Rental income                            | 148,300                       | -                          | 148,300             | 164,992                       | -                          | 164,992             |
| Interest and other income                | 212,239                       | -                          | 212,239             | 156,018                       | -                          | 156,018             |
| Debt forgiveness                         | 12,190                        | -                          | 12,190              | 46,126                        | -                          | 46,126              |
| In-kind support                          | <u>26,330</u>                 | <u>-</u>                   | <u>26,330</u>       | <u>42,538</u>                 | <u>-</u>                   | <u>42,538</u>       |
| Total support and revenue                | 3,816,013                     | 1,635,374                  | 5,451,387           | 3,337,809                     | 470,063                    | 3,807,872           |
| <b>RELEASE OF RESTRICTIONS</b>           | <u>739,725</u>                | <u>(739,725)</u>           | <u>-</u>            | <u>948,519</u>                | <u>(948,519)</u>           | <u>-</u>            |
| Total support, revenue and releases      | <u>4,555,738</u>              | <u>895,649</u>             | <u>5,451,387</u>    | <u>4,286,328</u>              | <u>(478,456)</u>           | <u>3,807,872</u>    |
| <b>OPERATING EXPENSES</b>                |                               |                            |                     |                               |                            |                     |
| Programs                                 | 3,835,331                     | -                          | 3,835,331           | 3,432,364                     | -                          | 3,432,364           |
| Fundraising                              | 340,963                       | -                          | 340,963             | 277,741                       | -                          | 277,741             |
| Administrative                           | <u>238,843</u>                | <u>-</u>                   | <u>238,843</u>      | <u>291,435</u>                | <u>-</u>                   | <u>291,435</u>      |
| Total expenses                           | <u>4,415,137</u>              | <u>-</u>                   | <u>4,415,137</u>    | <u>4,001,540</u>              | <u>-</u>                   | <u>4,001,540</u>    |
| <b>INCREASE (DECREASE) IN NET ASSETS</b> | 140,601                       | 895,649                    | 1,036,250           | 284,788                       | (478,456)                  | (193,668)           |
| <b>NET ASSETS</b>                        |                               |                            |                     |                               |                            |                     |
| <b>BEGINNING OF YEAR</b>                 | <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>    |
| <b>END OF YEAR</b>                       | <u>\$ 4,915,466</u>           | <u>\$ 1,148,736</u>        | <u>\$ 6,064,202</u> | <u>\$ 4,774,865</u>           | <u>\$ 253,087</u>          | <u>\$ 5,027,952</u> |

**PRISON ENTREPRENEURSHIP PROGRAM**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**INCREASE (DECREASE) IN CASH**

|  | <u>2024</u>         | <u>2023</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>        |                     |                     |
| Increase (decrease) in net assets                  | \$ <u>1,036,250</u> | \$ <u>(193,668)</u> |
| Adjustments  |                     |                     |
| Donated stocks                                     | (18,296)            | (32,657)            |
| Donated equipment                                  | (4,047)             | (7,830)             |
| Loss on sale of donated stocks                     | 1,190               | 387                 |
| Depreciation and amortization                      | 374,562             | 343,855             |
| (Gain) loss on disposition of equipment            | 723                 | (3,868)             |
| Forgiveness of debt                                | (12,190)            | (46,126)            |
| Non-cash change in loan loss allowance             | (700)               | 243,826             |
| Payment of capital operating lease obligations     | (116,371)           | (109,487)           |
| Changes in   |                     |                     |
| Receivables  | (592,187)           | 434,083             |
| Prepaid expenses, deposits and other assets        | (15,859)            | (19,006)            |
| Accounts payable and accrued liabilities           | 106,013             | (11,009)            |
| Accrued salaries and payroll taxes                 | <u>6,523</u>        | <u>16,591</u>       |
| Total adjustments                                  | <u>(270,639)</u>    | <u>808,759</u>      |
| <b>Net cash provided by operating activities</b>   | <u>765,611</u>      | <u>615,091</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>        |                     |                     |
| Proceeds from sales of donated stocks              | 20,135              | 17,275              |
| Proceeds from sales of equipment and vehicle       | -                   | 11,000              |
| Recovery of participant business loans charged off | 32,455              | 19,000              |
| Participant business loans originated              | (155,456)           | (595,354)           |
| Participant business loans repaid                  | 287,484             | 245,746             |
| Change in short-term investments, net              | (620,087)           | (1,399,923)         |
| Purchase of property and equipment                 | <u>(362,835)</u>    | <u>(253,821)</u>    |
| <b>Net cash used by investing activities</b>       | <u>(798,304)</u>    | <u>(1,956,077)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>        |                     |                     |
| Payment of social impact investor loans            | (26,644)            | (77,589)            |
| Payment of mortgage debt                           | <u>(19,531)</u>     | <u>(20,433)</u>     |
| <b>Net cash used by financing activities</b>       | <u>(46,175)</u>     | <u>(98,022)</u>     |
| <b>NET DECREASE IN CASH</b>                        | (78,868)            | (1,439,008)         |
| <b>CASH BEGINNING OF YEAR</b>                      | <u>1,449,832</u>    | <u>2,888,840</u>    |
| <b>CASH END OF YEAR</b>                            | <u>\$ 1,370,964</u> | <u>\$ 1,449,832</u> |

**PRISON ENTREPRENEURSHIP PROGRAM**  
**CONSOLIDATED STATEMENT OF EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

|                             | Programs           |                   |                   |                   |                   |                   |                    |                   |                   |                    |
|-----------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|                             | Prerelease         | Re-entry          | Housing           | Lending           | Incubating        | Other             | Total              | Fundraising       | Administrative    | Total              |
| Salaries                    | \$ 780,233         | \$ 471,476        | \$ 45,823         | \$ 323,388        | \$ 88,621         | \$ 65,635         | \$1,775,176        | \$ 200,260        | \$ 140,286        | \$2,115,722        |
| Automobile/transportation   | 19,543             | 11,809            | 1,148             | 11,785            | 2,220             | 1,644             | 48,149             | 5,016             | 3,513             | 56,678             |
| Bad debts                   | -                  | -                 | -                 | (700)             | -                 | -                 | (700)              | -                 | -                 | (700)              |
| Bank charges                | 3,303              | 1,996             | 194               | 1,480             | 3,803             | 278               | 11,054             | 848               | 595               | 12,497             |
| Benefits/payroll taxes      | 157,859            | 95,390            | 9,271             | 59,469            | 17,930            | 13,280            | 353,199            | 40,517            | 28,382            | 422,098            |
| Computer                    | 18,380             | 6,097             | 593               | 37,675            | 1,146             | 849               | 64,740             | 2,590             | 1,814             | 69,144             |
| Contractual services        | 108,766            | 38,902            | 3,781             | 15,338            | 7,312             | 5,416             | 179,515            | 16,524            | 11,575            | 207,614            |
| Curriculum                  | 2,607              | -                 | -                 | -                 | -                 | -                 | 2,607              | -                 | -                 | 2,607              |
| Depreciation/amortization   | 141,742            | 67,251            | 68,477            | 26,515            | 12,641            | 9,362             | 325,988            | 28,565            | 20,009            | 374,562            |
| Development services        | -                  | -                 | -                 | 20,156            | -                 | -                 | 20,156             | -                 | -                 | 20,156             |
| Events                      | 73,735             | 13,967            | 1,357             | 8,302             | 2,625             | 1,944             | 101,930            | 5,933             | 4,156             | 112,019            |
| Food/entertainment          | 6,499              | 49,400            | 150               | 4,368             | 3,866             | 215               | 64,498             | 657               | 459               | 65,614             |
| Insurance                   | 20,186             | 12,198            | 19,912            | 13,076            | 2,293             | 1,698             | 69,363             | 5,181             | 3,629             | 78,173             |
| Interest                    | 15,504             | 9,369             | 20,491            | 12,226            | 1,761             | 1,304             | 60,655             | 3,979             | 2,787             | 67,421             |
| Loan paid third party       | -                  | -                 | -                 | 18,000            | -                 | -                 | 18,000             | -                 | -                 | 18,000             |
| Other                       | 11,522             | 47,449            | 6,578             | 6,364             | 53,473            | 780               | 126,166            | 2,381             | 1,666             | 130,213            |
| Postage                     | 7,244              | 3,800             | 306               | 1,284             | 2,306             | 438               | 15,378             | 1,336             | 934               | 17,648             |
| Professional fees           | 7,521              | 4,545             | 442               | 26,959            | 3,154             | 633               | 43,254             | 1,930             | 1,351             | 46,535             |
| Program education           | 11,795             | 7,127             | 693               | 2,810             | 1,340             | 992               | 24,757             | 3,027             | 2,121             | 29,905             |
| Property lease              | 455                | 275               | 27                | 108               | 52                | 38                | 955                | 117               | 82                | 1,154              |
| Property taxes              | 379                | 229               | 4,986             | 90                | 43                | 32                | 5,759              | 97                | 68                | 5,924              |
| Recovery expense            | -                  | -                 | -                 | 2,689             | -                 | -                 | 2,689              | -                 | -                 | 2,689              |
| Re-entry housing            | -                  | 10,880            | -                 | -                 | -                 | -                 | 10,880             | -                 | -                 | 10,880             |
| Repair and maintenance      | 16,599             | 10,030            | 22,306            | 3,955             | 1,885             | 1,396             | 56,171             | 4,260             | 2,986             | 63,417             |
| Staff training/appreciation | 16,632             | 10,050            | 977               | 3,962             | 1,889             | 1,399             | 34,909             | 4,269             | 2,991             | 42,169             |
| Subgrant expense            | -                  | -                 | -                 | 100,000           | -                 | -                 | 100,000            | -                 | -                 | 100,000            |
| Supplies                    | 33,510             | 30,048            | 13,313            | 7,621             | 3,610             | 1,328             | 89,430             | 4,051             | 2,837             | 96,318             |
| Travel                      | 29,868             | 8,916             | 663               | 25,205            | 17,191            | 950               | 82,793             | 2,897             | 2,030             | 87,720             |
| Utilities                   | 25,434             | 15,369            | 95,066            | 6,962             | 2,889             | 2,140             | 147,860            | 6,528             | 4,572             | 158,960            |
|                             | <u>\$1,509,316</u> | <u>\$ 926,573</u> | <u>\$ 316,554</u> | <u>\$ 739,087</u> | <u>\$ 232,050</u> | <u>\$ 111,751</u> | <u>\$3,835,331</u> | <u>\$ 340,963</u> | <u>\$ 238,843</u> | <u>\$4,415,137</u> |

prison  
entrepreneurship  
program

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



**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> |

prison  
entrepreneurship  
program

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, 2024 and 2023.

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, 2024 and 2023.

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, 2024 and 2023.

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, 2024 and 2023.

**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 for use in 2023 and 2024, which substantially eliminated any tax liability for these years; therefore, no provision for income taxes has been recorded. The net operating loss carryforwards will be fully utilized in 2024.

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 2021.

**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.

**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 27, 2025 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:

|                     | 2024               | 2023               |
|---------------------|--------------------|--------------------|
| Checking and saving | \$ 736,336         | \$1,010,118        |
| Sweeps and other    | 634,628            | 439,714            |
| Total               | <u>\$1,370,964</u> | <u>\$1,449,832</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 consist of Certificates of deposit and 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 2024 and 2023 were sold within the first two months of the subsequent fiscal year.

## 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 follows:

|  | <u>2024</u>        | <u>2023</u>        |
|--|--------------------|--------------------|
| Certificates of deposit, bearing interest at 4.05% to 5.4%;<br>maturing February through June 2025 | \$1,155,000        | \$ -               |
| U.S. Treasury Bills maturing January through May 2025  | 868,391            | -                  |
| U.S. Treasury Bills maturing February through April 2024   | -                  | 1,399,924          |
| Exchange traded funds  | 3,965              | 6,431              |
| Stocks   | <u>4,620</u>       | <u>8,563</u>       |
| Total  | <u>\$2,031,976</u> | <u>\$1,414,918</u> |

#### RECEIVABLES

A summary of receivables at December 31 follows:

|   | <u>2024</u>       | <u>2023</u>       |
|---|-------------------|-------------------|
| Unconditional promises to give, as discounted | \$ 829,400        | \$ 253,087        |
| Loans and other receivables, net              | <u>87,637</u>     | <u>71,763</u>     |
| Total   | <u>\$ 917,037</u> | <u>\$ 324,850</u> |

Receivables are expected to be collected as follows:

|                                | <u>Gross</u>      | <u>Discount</u> | <u>Net</u>        |
|--------------------------------|-------------------|-----------------|-------------------|
| Unconditional promises to give |                   |                 |                   |
| 2025                           | \$ 745,218        | \$ 852          | \$ 744,366        |
| 2026                           | <u>86,667</u>     | <u>1,633</u>    | <u>85,034</u>     |
| Total                          | <u>\$ 831,885</u> | <u>\$ 2,485</u> | <u>\$ 829,400</u> |
| Loans and other                |                   |                 |                   |
| 2025                           | \$ 48,405         | \$ 3,061        | \$ 51,466         |
| 2026                           | 8,806             | 2,467           | 11,273            |
| 2027                           | 9,443             | 1,830           | 11,273            |
| 2028                           | 10,125            | 1,148           | 11,273            |
| 2029                           | <u>10,858</u>     | <u>415</u>      | <u>11,273</u>     |
| Total                          | <u>\$ 87,637</u>  | <u>\$ 8,921</u> | <u>\$ 96,558</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>2024</u>        | <u>2023</u>        |
|--|--------------------|--------------------|
| Land   | \$ 238,747         | \$ 238,747         |
| Buildings and leasehold improvements           | 1,947,785          | 1,694,361          |
| Capital leases                                 | 1,308,082          | 1,122,858          |
| Equipment and furniture                        | 762,936            | 709,790            |
| Vehicles                                       | <u>172,191</u>     | <u>133,154</u>     |
| Total cost or donated value                    | 4,429,741          | 3,898,910          |
| Less accumulated depreciation and amortization | <u>1,521,583</u>   | <u>1,252,611</u>   |
| Property and equipment, net                    | <u>\$2,908,158</u> | <u>\$2,646,299</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>2024</u>         | <u>2023</u>         |
|--|---------------------|---------------------|
| Capital leases included with property and equipment  | <u>\$1,308,082</u>  | <u>\$1,122,858</u>  |
| Capital leases accumulated amortization included<br>with accumulated depreciation and amortization | <u>\$ (350,482)</u> | <u>\$ (301,212)</u> |
| Current portion of long-term debt related to capital leases  | \$ 99,369           | \$ 111,818          |
| Long-term portion of capital lease obligations   | <u>980,293</u>      | <u>813,953</u>      |
| Total capital lease obligations  | <u>\$1,079,662</u>  | <u>\$ 925,771</u>   |

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

|                                      | <u>2024</u>       | <u>2023</u>       |
|--------------------------------------|-------------------|-------------------|
| Capital operating lease amortization | <u>\$ 134,308</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>2024</u>       | <u>2023</u>       |
|---|-------------------|-------------------|
| Cash paid for amounts included in the measurement of capital operating lease liabilities: |                   |                   |
| Cash flows for capital operating leases   | \$ <u>116,371</u> | \$ <u>109,487</u> |
| Lease asset obtained in exchange for lease liabilities                                    | \$ <u>270,262</u> | \$ <u>-</u>       |

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

|                                       | <u>2024</u>      | <u>2023</u>      |
|---------------------------------------|------------------|------------------|
| Weighted average remaining lease term | <u>75 months</u> | <u>85 months</u> |
| Weighted average discount rate        | <u>4.95%</u>     | <u>4.32%</u>     |

The maturities of capital operating lease liabilities at December 31, 2024 are as follows:

|       | <u>Principal</u>   | <u>Interest</u>   | <u>Total</u>       |
|-------|--------------------|-------------------|--------------------|
| 2025  | \$ 99,369          | \$ 53,363         | \$ 152,732         |
| 2026  | 156,392            | 46,408            | 202,800            |
| 2027  | 180,144            | 37,236            | 217,380            |
| 2028  | 191,783            | 27,175            | 218,958            |
| 2029  | 190,681            | 16,431            | 207,112            |
| Later | <u>261,293</u>     | <u>11,213</u>     | <u>272,506</u>     |
| Total | <u>\$1,079,662</u> | <u>\$ 191,826</u> | <u>\$1,271,488</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 seeks 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>2024</u>       | <u>2023</u>       |
|-----------------------------------|-------------------|-------------------|
| PEP alumni businesses             | \$ 618,410        | \$ 816,444        |
| Other returned citizen businesses | <u>23,469</u>     | <u>35,756</u>     |
| Total loans                       | 641,879           | 852,200           |
| Less loan loss allowance          | <u>(29,723)</u>   | <u>(76,261)</u>   |
| Net loans                         | <u>\$ 612,156</u> | <u>\$ 775,939</u> |

The composition of the promissory notes at December 31 follows:

|                            | <u>2024</u> | <u>2023</u> |
|----------------------------|-------------|-------------|
| Number of borrowers        | 27          | 28          |
| Original principal amounts | \$1,029,926 | \$1,050,533 |
| Total monthly installments | \$ 21,210   | \$ 20,540   |
| Interest rates             | 5% to 9.5%  | 5% to 10%   |

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>2024</u>      | <u>2023</u>      |
|-------------------------------|------------------|------------------|
| Beginning loan loss allowance | \$ 76,261        | \$ 63,800        |
| Bad debts                     | (700)            | 243,826          |
| Charge offs                   | (78,293)         | (250,365)        |
| Recoveries                    | <u>32,455</u>    | <u>19,000</u>    |
| Ending loan loss allowance    | <u>\$ 29,723</u> | <u>\$ 76,261</u> |

The promissory notes at December 31, 2024 are expected to be collected as follows:

|       | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------|-------------------|------------------|-------------------|
| 2025  | \$ 189,668        | \$ 41,965        | \$ 231,633        |
| 2026  | 175,897           | 28,652           | 204,549           |
| 2027  | 161,626           | 15,395           | 177,021           |
| 2028  | 100,718           | 5,196            | 105,914           |
| 2029  | <u>13,970</u>     | <u>635</u>       | <u>14,605</u>     |
| Total | <u>\$ 641,879</u> | <u>\$ 91,843</u> | <u>\$ 733,722</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 November 21, 2024, the CDFI Fund awarded Entre a \$300,000 Technical Assistance grant (TA3) for the same purpose as TA1 and TA2. TA3 was recognized as support by Entre in 2024 and is included in receivables on the consolidated statement of financial position at December 31, 2024. On March 3, 2025, Entre received \$150,000 of the 2024 TA3 receivable and anticipates the remaining \$150,000 will be received by the end of 2025.

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>2024</u>       | <u>2023</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) | 21,550            | 42,443            |
| 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>110,396</u>    | <u>128,337</u>    |
| Total  | <u>\$ 131,946</u> | <u>\$ 170,780</u> |

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

|                        | <u>2024</u>       | <u>2023</u>       |
|------------------------|-------------------|-------------------|
| Public charity (DAF's) | \$ 126,615        | \$ 160,281        |
| Companies              | 1,701             | 3,351             |
| Individuals            | <u>3,630</u>      | <u>7,148</u>      |
| Total                  | <u>\$ 131,946</u> | <u>\$ 170,780</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, 2024 are as follows:

|       | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------|-------------------|------------------|-------------------|
| 2025  | \$ 24,912         | \$ 8,384         | \$ 33,296         |
| 2026  | 26,548            | 6,869            | 33,417            |
| 2027  | 28,294            | 5,251            | 33,545            |
| 2028  | 27,029            | 3,523            | 30,552            |
| 2029  | <u>25,163</u>     | <u>1,761</u>     | <u>26,924</u>     |
| Total | <u>\$ 131,946</u> | <u>\$ 25,788</u> | <u>\$ 157,734</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. On June 6, 2024, Entre entered into a loan modification agreement, which extended the maturity date of the loan agreement 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. Upon maturity, the loan agreement was not extended.

#### 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 2024 and 2023, the Organization recognized \$12,190 and \$46,126, respectively, of debt forgiveness related to Tranche 1.

### LONG-TERM DEBT

#### Mortgages

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

|  | <u>2024</u>       | <u>2023</u>       |
|--|-------------------|-------------------|
| Mortgage payable in the refinanced principal amount of \$257,265, due in monthly installments of \$2,245 and one balloon payment of \$197,723; bearing interest at 6.5%; maturing February 1, 2029 | \$ 246,529        | \$ -              |
| 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           |
| 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>78,020</u>     | <u>86,815</u>     |
| Total  | <u>\$ 324,549</u> | <u>\$ 344,080</u> |

prison  
entrepreneurship  
program

## 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 \$562,975 and \$462,275 at December 31, 2024 and 2023, 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, 2024 are as follows:

|            | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|------------|-------------------|------------------|-------------------|
| 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            |
| 2029       | 208,936           | 3,793            | 212,729           |
| Thereafter | 27,115            | 1,533            | 28,648            |
| Total      | <u>\$ 324,549</u> | <u>\$ 75,644</u> | <u>\$ 400,193</u> |

#### NET ASSETS

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

|                    | <u>2024</u>        | <u>2023</u>       |
|--------------------|--------------------|-------------------|
| Time restricted    | \$ 829,400         | \$ 253,087        |
| Purpose restricted | 319,336            | -                 |
| Total              | <u>\$1,148,736</u> | <u>\$ 253,087</u> |

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

|                       | <u>2024</u>        | <u>2023</u>        |
|-----------------------|--------------------|--------------------|
| Internally-designated | \$ 405,692         | \$ 543,436         |
| Unrestricted          | 4,509,774          | 4,231,429          |
| Total                 | <u>\$4,915,466</u> | <u>\$4,774,865</u> |

#### SUPPORT

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

|                              | <u>2024</u>         | <u>2023</u>         |
|------------------------------|---------------------|---------------------|
| Foundations                  | \$ 3,407,589        | \$ 1,980,998        |
| Individuals and participants | 674,234             | 790,421             |
| Corporations                 | 259,464             | 185,790             |
| Churches                     | 40,113              | 48,000              |
| Technical Assistance grant   | 300,000             | 175,000             |
| Board members                | 370,928             | 217,989             |
| Total                        | <u>\$ 5,052,328</u> | <u>\$ 3,398,198</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>2024</u>      | <u>2023</u>      |
|------------------------------------|------------------|------------------|
| Professional services and supplies | \$ 3,987         | \$ 2,051         |
| Property and equipment             | 4,047            | 7,830            |
| Stock contributed from individuals | <u>18,296</u>    | <u>32,657</u>    |
| Total                              | <u>\$ 26,330</u> | <u>\$ 42,538</u> |

Contributed stocks not sold during the year contributed are included in short-term investments in the consolidated statement of financial position in 2024 and 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, 2024 and 2023, the Organization's match was \$34,794 and \$36,323, respectively.

#### ADDITIONAL CASH FLOW INFORMATION

|                        | <u>2024</u>      | <u>2023</u>      |
|------------------------|------------------|------------------|
| Cash paid for interest | \$ <u>68,730</u> | \$ <u>72,335</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, 2024 and 2023 the Organization's uninsured cash balances at the banks approximated \$363,000 and \$432,000, 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:

|  | 2024                | 2023                |
|--|---------------------|---------------------|
| Financial assets   |                     |                     |
| Cash   | \$ 1,370,964        | \$ 1,449,832        |
| Short-term investments   | 2,031,976           | 1,414,918           |
| Receivables  | 917,037             | 324,850             |
| Promissory notes receivable  | 612,156             | 775,939             |
| Less   |                     |                     |
| Receivables due in more than one year  | (124,266)           | (51,592)            |
| Promissory notes receivable due in more than one year                                    | (452,211)           | (590,379)           |
| Donor restricted for specific purposes   | (319,336)           | -                   |
| Internally-designated cash   | <u>(405,692)</u>    | <u>(543,436)</u>    |
| Financial assets available to meet cash needs<br>for general expenditure within one year | <u>\$ 3,630,628</u> | <u>\$ 2,780,132</u> |

#### SUBSEQUENT EVENTS

On March 28, 2025, HCH purchased an apartment building in Dallas, Texas for a purchase price of \$875,000, which was financed by a note in the principal amount of \$875,000 bearing interest at 6.5% per annum and requires monthly payments of principal and interest of \$20,793. The note matures March 28, 2030.

On March 28, 2025, Entre entered into a promissory note and loan agreement with PeopleFund in the maximum principal amount of \$1,000,000 for the purpose of helping individuals returning from the justice system attain financial freedom through business ownership. The note bears interest at 4.5% per annum and requires interest only payments followed by sixty monthly principal and interest payments of \$18,643 beginning April 30, 2025 through March 30, 2032.

Subsequent events have been evaluated through June 27, 2025 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, 2024**

|  | PEP                 | HCH                 | CVI              | Entre               | Eliminations          | Consolidated        |
|--|---------------------|---------------------|------------------|---------------------|-----------------------|---------------------|
| <b>Assets</b>                            |                     |                     |                  |                     |                       |                     |
| Cash                                     | \$ 869,821          | \$ 53,481           | \$ 41,970        | \$ 405,692          | \$ -                  | \$ 1,370,964        |
| Short-term investments                   | 2,031,976           | -                   | -                | -                   | -                     | 2,031,976           |
| Receivables                              |                     |                     |                  |                     |                       |                     |
| Donations                                | 529,400             | -                   | -                | 300,000             | -                     | 829,400             |
| 2nd chance loans                         | -                   | -                   | -                | 612,156             | -                     | 612,156             |
| Other                                    | 87,637              | -                   | -                | -                   | -                     | 87,637              |
| Subsidiaries                             | 483,326             | -                   | 7,750            | -                   | (491,076)             | -                   |
| Prepays, deposits, and other             | 61,546              | 1,319               | 1,044            | 29,081              | -                     | 92,990              |
| Property and equipment, net              | 1,762,618           | 1,145,540           | -                | -                   | -                     | 2,908,158           |
| Investments in closely-held entities     | 757,602             | -                   | -                | -                   | (757,602)             | -                   |
| Total Assets                             | <u>\$ 6,583,926</u> | <u>\$ 1,200,340</u> | <u>\$ 50,764</u> | <u>\$ 1,346,929</u> | <u>\$ (1,248,678)</u> | <u>\$ 7,933,281</u> |
| <b>Liabilities</b>                       |                     |                     |                  |                     |                       |                     |
| Accounts payable and accrued liabilities | \$ 61,836           | \$ 364,973          | \$ 48,166        | \$ 199,674          | \$ (491,076)          | \$ 183,573          |
| Accrued salaries and payroll taxes       | 149,349             | -                   | -                | -                   | -                     | 149,349             |
| Long-term debt                           |                     |                     |                  |                     |                       |                     |
| Due currently                            | 99,369              | 20,262              | -                | 24,912              | -                     | 144,543             |
| Due afterwards                           |                     |                     |                  |                     |                       |                     |
| Transition home mortgages                | -                   | 304,287             | -                | -                   | -                     | 304,287             |
| Social impact investor loans             | -                   | -                   | -                | 107,034             | -                     | 107,034             |
| Capital lease obligations                | 980,293             | -                   | -                | -                   | -                     | 980,293             |
| Total Liabilities                        | <u>1,290,847</u>    | <u>689,522</u>      | <u>48,166</u>    | <u>331,620</u>      | <u>(491,076)</u>      | <u>1,869,079</u>    |
| <b>Net Assets</b>                        |                     |                     |                  |                     |                       |                     |
| With donor restrictions                  | 1,148,736           | -                   | -                | -                   | -                     | 1,148,736           |
| Without donor restrictions               | 4,144,343           | 510,818             | 2,598            | 1,015,309           | (757,602)             | 4,915,466           |
| Total Net Assets                         | <u>5,293,079</u>    | <u>510,818</u>      | <u>2,598</u>     | <u>1,015,309</u>    | <u>(757,602)</u>      | <u>6,064,202</u>    |
| Total Liabilities and Net Assets         | <u>\$ 6,583,926</u> | <u>\$ 1,200,340</u> | <u>\$ 50,764</u> | <u>\$ 1,346,929</u> | <u>\$ (1,248,678)</u> | <u>\$ 7,933,281</u> |

**Prison Entrepreneurship Program**  
**Consolidating Statement of Financial Position**  
**December 31, 2023**

|  | PEP                 | HCH                 | CVI              | Entre             | Eliminations        | Consolidated        |
|--|---------------------|---------------------|------------------|-------------------|---------------------|---------------------|
| <b>Assets</b>                            |                     |                     |                  |                   |                     |                     |
| 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     | 606,231             | -                   | -                | -                 | (606,231)           | -                   |
| 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> |
| <b>Liabilities</b>                       |                     |                     |                  |                   |                     |                     |
| 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                | 813,953             | -                   | -                | -                 | -                   | 813,953             |
| 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>    |
| <b>Net Assets</b>                        |                     |                     |                  |                   |                     |                     |
| With donor restrictions                  | 253,087             | -                   | -                | -                 | -                   | 253,087             |
| Without donor restrictions               | 4,173,715           | 426,430             | (5,878)          | 786,829           | (606,231)           | 4,774,865           |
| 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> |



**Prison Entrepreneurship Program  
Consolidating Statement of Activities  
For the Year Ended December 31, 2024**

|  | <u>PEP</u>          | <u>HCH</u>        | <u>CVI</u>      | <u>Entre</u>        | <u>Eliminations</u> | <u>Consolidated</u> |
|--|---------------------|-------------------|-----------------|---------------------|---------------------|---------------------|
| <b>Support and Revenue</b>               |                     |                   |                 |                     |                     |                     |
| Support                                  | \$ 4,752,177        | \$ -              | \$ -            | \$ 607,151          | \$ (307,000)        | \$ 5,052,328        |
| Rental income                            | -                   | 176,350           | -               | -                   | (28,050)            | 148,300             |
| Interest and other income                | 171,070             | -                 | 9,248           | 47,961              | (16,040)            | 212,239             |
| Debt forgiveness                         | -                   | -                 | -               | 12,190              | -                   | 12,190              |
| In-kind support                          | <u>26,330</u>       | <u>-</u>          | <u>-</u>        | <u>-</u>            | <u>-</u>            | <u>26,330</u>       |
| Total support and revenue                | 4,949,577           | 176,350           | 9,248           | 667,302             | (351,090)           | 5,451,387           |
| <b>Operating Expenses</b>                |                     |                   |                 |                     |                     |                     |
| Programs                                 | 3,503,494           | 243,333           | 772             | 438,822             | (351,090)           | 3,835,331           |
| Fundraising                              | 340,963             | -                 | -               | -                   | -                   | 340,963             |
| Administrative                           | <u>238,843</u>      | <u>-</u>          | <u>-</u>        | <u>-</u>            | <u>-</u>            | <u>238,843</u>      |
| Total expenses                           | <u>4,083,300</u>    | <u>243,333</u>    | <u>772</u>      | <u>438,822</u>      | <u>(351,090)</u>    | <u>4,415,137</u>    |
| <b>Increase (Decrease) in Net Assets</b> | 866,277             | (66,983)          | 8,476           | 228,480             | -                   | 1,036,250           |
| <b>Net Assets</b>                        |                     |                   |                 |                     |                     |                     |
| Beginning of year                        | 4,426,802           | 426,430           | (5,878)         | 786,829             | (606,231)           | 5,027,952           |
| Contributions                            | <u>-</u>            | <u>151,371</u>    | <u>-</u>        | <u>-</u>            | <u>(151,371)</u>    | <u>-</u>            |
| End of year                              | <u>\$ 5,293,079</u> | <u>\$ 510,818</u> | <u>\$ 2,598</u> | <u>\$ 1,015,309</u> | <u>\$ (757,602)</u> | <u>\$ 6,064,202</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> |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| <b>Support and Revenue</b>               |                     |                   |                   |                   |                     |                     |
| 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           |
| <b>Operating Expenses</b>                |                     |                   |                   |                   |                     |                     |
| 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>    |
| <b>Increase (Decrease) in Net Assets</b> | (15,558)            | (17,653)          | 10,406            | (170,863)         | -                   | (193,668)           |
| <b>Net Assets</b>                        |                     |                   |                   |                   |                     |                     |
| 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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