Prison Rehabilitative Industries and Diversified Enterprises, Inc.

FINANCIAL STATEMENTS

December 31, 2023 and 2022

REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prison Rehabilitative Industries and Diversified Enterprises, Inc.
Brandon, Florida

Opinion

We have audited the accompanying financial statements of Prison Rehabilitative Industries and Diversified Enterprises, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prison Rehabilitative Industries and Diversified Enterprises, Inc. 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 audits 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 Rehabilitative Industries and Diversified Enterprises, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Rehabilitative Industries and Diversified Enterprises, Inc.'s ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from 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 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 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 Rehabilitative Industries and Diversified Enterprises, Inc.'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Rehabilitative Industries and Diversified Enterprises, Inc.'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.

Restriction on Use

Our report is intended solely for the information and use of Prison Rehabilitative Industries and Diversified Enterprises, Inc. and the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tallahassee, FL
June 6, 2024

FINANCIAL STATEMENTS

Prison Rehabilitative Industries and Diversified Enterprises, Inc.
Statements of Financial Position

December 31,		**2023**		2022
Assets				
Current assets				
Cash	**$**	**6,012,037**	$	2,918,400
Investments		**23,814,834**		19,815,056
Accounts receivable, net		**6,267,154**		6,476,218
Lease receivable, current potion		**146,311**		138,249
Inventories, net		**11,776,334**		17,438,327
Prison Industry Trust Fund (PITF)		**1,151,708**		617,588
Other current assets		**471,899**		623,438
Total current assets		**49,640,277**		48,027,276
Non-current assets				
Lease receivable, less current portion		**219,466**		345,621
Operating lease right-of-use assets, net		**3,134,068**		2,174,073
Property, agricultural assets, and equipment, net		**9,114,417**		9,650,262
Total non-current assets		**12,467,951**		12,169,956
Total assets	**$**	**62,108,228**	$	60,197,232
Liabilities and Net Assets				
Current liabilities				
Accounts payable	**$**	**1,927,324**	$	2,601,874
Accrued liabilities		**1,062,283**		1,464,902
Current portion of operating lease liabilities		**652,923**		510,773
Total current liabilities		**3,642,530**		4,577,549
Long-term liabilities				
Operating lease liabilities, less current portion		**2,481,144**		1,663,300
Total long-term liabilities		**2,481,144**		1,663,300
Total liabilities		**6,123,674**		6,240,849
Net assets without donor restrictions				
Undesignated		**55,984,554**		53,956,383
Total net assets without donor restrictions		**55,984,554**		53,956,383
Total liabilities and net assets	**$**	**62,108,228**	$	60,197,232

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

Statements of Activities

For the years ended December 31,	**2023**	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Revenue	**$ 65,578,823**	$ 65,748,887
Cost of sales	**(52,667,477)**	(55,265,689)
Gross margin	**12,911,346**	10,483,198
Operating expenses		
General and administrative	**(6,400,764)**	(5,634,041)
Distribution	**(2,984,537)**	(2,991,398)
Selling	**(1,896,111)**	(1,756,454)
Inmate services	**(690,287)**	(517,756)
Legal	**(94,599)**	(98,665)
Board	**(111,562)**	(88,146)
Victim restitution fund - traditional	**(71,338)**	(65,322)
Environmental contingency	**-**	(54,926)
Total operating expenses	**(12,249,198)**	(11,206,708)
Change in net assets without donor restrictions due to operations	**662,148**	(723,510)
Other revenue (expense)		
Gain on disposal of assets	**43,291**	1,452,930
PITF income	**625,410**	478,306
Interest income	**781,348**	202,825
Interest expense	**(79,694)**	(27,214)
Other	**(4,332)**	-
Total other revenue (expense)	**1,366,023**	2,106,847
Change in net assets without donor restrictions	**2,028,171**	1,383,337
Net assets without donor restrictions at beginning of year	**53,956,383**	52,573,046
Net assets without donor restrictions at end of year	**$ 55,984,554**	$ 53,956,383

Statements of Cash Flows

For the years ended December 31,	**2023**	2022
Cash flows from operating activities		
Change in net assets without donor restrictions	**$ 2,028,171**	$ 1,383,337
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,648,572**	2,211,714
Amortization of right-of-use assets	**459,654**	322,439
Gain on disposal of assets	**(43,291)**	(1,452,930)
Provision (recovery) for doubtful accounts	**26,035**	(391,130)
Changes in operating assets and liabilities		
Accounts receivable	**183,029**	1,498,996
Inventories	**5,661,993**	(4,388,264)
Prison Industry Trust Fund	**(534,120)**	(124,948)
Other current assets	**151,539**	547,227
Accounts payable	**(674,550)**	(546,879)
Accrued liabilities	**(402,619)**	(128,190)
Operating lease liabilities	**(459,655)**	(322,439)
Net cash provided by (used in) operating activities	**8,044,758**	(1,391,067)
Cash flows from investing activities		
Purchase of property, agricultural assets and equipment	**(1,212,187)**	(885,096)
Proceeds from disposal of assets	**142,751**	3,273,277
Purchase of equipment to be leased	**(8,062)**	(430,622)
Receipts related to leased equipment	**126,155**	118,252
Purchase of investments	**(3,999,778)**	(177,659)
Net cash provided by (used in) investing activities	**(4,951,121)**	1,898,152
Net change in cash	**3,093,637**	507,085
Cash at beginning of year	**2,918,400**	2,411,315
Cash at end of year	**$ 6,012,037**	$ 2,918,400

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

For the years ended December 31,	**2023**	2022
Schedule of Certain Cash Flow Information		
Cash paid for interest	**$ 79,694**	$ 27,214
Schedule of Noncash Transactions		
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	**$ 1,421,326**	$ 1,631,065

During 2023, management upgraded certain leased equipment prior to the end of its lease term. The amount of operating lease liabilities as of the date of exchange are netted against the lease liabilities arising from obtaining right-of-use assets above.

Note 1: DESCRIPTION OF THE ORGANIZATION

The Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) is a not-for-profit corporation authorized by the Florida Legislature to lease certain facilities and manage the correctional work programs of the Florida Department of Corrections (DC).

PRIDE was incorporated on December 14, 1981. The final transfer of the former correctional work programs was completed by July 1, 1984. The transfer included certain assets and liabilities of the DC correctional work program and was recorded by PRIDE at estimated fair value. In addition to these transfers, various lease agreements between PRIDE and DC provide for PRIDE to use certain land, buildings, and equipment in its operations.

PRIDE operates in a variety of industries including furniture manufacturing, agriculture, graphics and digital print technologies, sewn products, services and other general manufacturing. Through its operations in these industries, PRIDE teaches job skills, provides work training programs, and post release job placement to help reduce recommitment, inmate idleness, and provide incentive for good behavior in prison, through its Training and Mission Programs.

PRIDE receives no funding from the Florida Legislature and is totally supported by the earnings it generates from the sale of its products and services. A majority of PRIDE products are sold to state agencies and governmental entities or their contract vendors.

PRIDE has the following programs that are unique to its statutory mission:

- Inmate Re-Entry Services - Represents job training, vocational, and related training to assist inmates participating in PRIDE programs in acquiring job skills prior to release from incarceration.

- Transition Services - Represents post-release job placement support to ex-offenders who formerly participated in PRIDE programs, including both financial assistance and employment referral services.

- Victim Restitution Fund (traditional wages) - PRIDE voluntarily pays to DC ten cents for every dollar of inmate compensation earned by inmates that owe victim restitution.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and in conformity with the financial reporting provisions of Section 946.516 of the Florida State Statutes (the Statute). The Statute requires PRIDE to prepare their financial statements in accordance with accounting principles established by the Financial Accounting Standards Board (FASB).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

FASB provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable result from sales of products to a variety of customers. Credit is extended to customers after their financial condition has been evaluated. Generally, collateral is not required.

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in income as received. The allowance for credit losses was $64,763 and $59,869 at December 31, 2023 and 2022, respectively.

Inventory

Manufactured inventories are stated at the lower of cost or net realizable value and are accounted for under the first-in, first-out method. Crops in process are stated at the lower of cost or net realizable value and include all direct and indirect costs of growing crops. An obsolescence reserve is established for slow moving and potentially obsolete inventory based on review of inventory components and market conditions. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statements of activities in the period in which it occurs.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Agricultural Assets, and Equipment

All acquisitions of property and equipment in excess of $5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of one year are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method.

Leases

PRIDE leases office space and equipment. PRIDE determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, PRIDE uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that PRIDE will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

PRIDE’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Net Assets

PRIDE reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of PRIDE, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

As of December 31, 2023 and 2022, PRIDE has no net assets with donor restrictions.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied.

Revenue is recognized on sales in PRIDE's manufacturing and service operations when control of these products are transferred or services are provided to its customers, in an amount that reflects the consideration PRIDE expects to be entitled to in exchange for those products and services. PRIDE's principal terms of sale are FOB shipping point and PRIDE recognizes revenue for product sales upon shipment.

Revenue is recognized in PRIDE's agricultural operations, including citrus, sugarcane, cattle and timber products, as crops, cattle and cut timber are delivered and title passes to the customer in an amount that reflects the consideration PRIDE expects to be entitled to in exchange for those products and services. Certain of PRIDE's crops are harvested by customers. Revenue is recognized on these crops at the time of harvest. PRIDE initially recognizes revenue in an amount which is estimated based on contractual and market prices, if such market price falls within the range identified in the specific contract. Differences between the estimates and the final realization of revenues at the close of the harvesting season can result in either an increase or decrease to revenues. During the periods presented, no material adjustments were made to citrus or sugarcane revenues.

Shipping Costs

PRIDE treats shipping and handling activities until the customer obtains control of the goods as a fulfillment cost and not as a promised good or service. As such, shipping costs are included in distribution expenses.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Other expenses are allocated across functional areas based on a fixed percentage.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

PRIDE is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as an organization described in section 501(a)(l) and l 70(b)(l)(A)(vi) and Chapter 617, Florida Statutes. Accordingly, no provision for income taxes has been made.

The Internal Revenue Service (IRS) has determined that PRIDE is not required to file a Form 990 because PRIDE is classified as an affiliate of a governmental unit under Section 1.6033-2(g)(6) of the *Income Tax Regulations.*

Contributions to PRIDE are tax deductible under Section 170 of the Code. PRIDE is also qualified to receive tax deductible bequests, transfers or gifts under Sections 2055, 2106, and 2522 of the Code.

Certain Other Taxes

PRIDE collects various taxes from customers and remits those amounts to applicable taxing authorities. PRIDE's policy is to exclude those taxes from sales and cost of sales.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

PRIDE adopted ASU 2016-13 on January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 6, 2024. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

PRIDE maintains its financial assets primarily in cash, the Special Purpose Investment Account and certificates of deposit to provide liquidity to ensure funds are available as PRIDE’s expenditures come due. The following reflects PRIDE’s financial assets as of the statement of financial position dates, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions.

The following represents PRIDE's financial assets at December 31:

December 31,	**2023**	**2022**
Financial assets, at year-end:		
Cash	**$ 6,012,037**	$ 2,918,400
Investments	**23,814,834**	19,815,056
Accounts receivable, net	**6,267,154**	6,476,218
Financial assets available to meet cash needs for general expenditures within one year	**$ 36,094,025**	$ 29,209,674

Note 4: INVESTMENTS

The Florida State Treasury operates a special investment program for public entities. This program is authorized in Section 17.61(1), Florida Statutes, and is called the Special Purpose Investment Account (SPIA). Component units of the state, universities and colleges created by the Florida Constitution or Florida Statutes are eligible to invest in the SPIA.

Investments in the SPIA are valued at their estimated fair values in the accompanying statement of financial position. PRIDE held investments in SPIA of $2,740,698 and $19,815,056 at December 31, 2023 and 2022, respectively.

SPIA funds are combined with state funds and are invested as part of the Treasury Investment Pool. The Treasury Investment Pool invests in a combination of short-term liquid instruments and intermediate term fixed income securities. Earnings are posted monthly based on a pro-rata share of total Treasury earnings. Each SPIA participant is assessed a monthly administrative fee of 0.12% of their average daily balance.

The investments held at Truist Investment Services, Inc. are invested in money market funds and certificates of deposit held by many different FDIC insured banking institutions, so it can achieve full FDIC coverage for the total sum of the investment. The certificates of deposit are considered negotiable and total $13,246,270 and $-0- at December 31, 2023 and 2022, respectively.

Note 5: INVENTORIES

Inventories consist of the following at December 31:

December 31,	**2023**	2022
Raw materials and supplies	**$ 6,440,723**	$ 9,699,366
Work in process	**436,371**	476,640
Subassemblies	**746,422**	1,059,148
Finished goods	**3,398,426**	4,697,029
Crops in process	**1,423,335**	2,144,274
Total inventory	**12,445,277**	18,076,457
Reserve for inventory obsolescense and other	**(668,943)**	(638,130)
Inventories, net	**$ 11,776,334**	$ 17,438,327

Note 6: PRISON INDUSTRIES TRUST FUND

PRIDE is authorized by state law to hold the PIE Program Certificate for the State of Florida. PRIDE is authorized to manage and operate correctional work programs under Section 946.504 of the Florida Statutes and is authorized to deposit and withdraw funds from the Prison Industries Trust Fund (PITF).

Deposits to PITF are generated through a 50% withholding on all PIE inmate wages. The amount withheld and remitted to PITF and recognized as income was $625,410 and $478,306 the years ended December 31, 2023 and 2022, respectively.

PITF consists of cash. Withdrawals from PITF are authorized by the PRIDE board of directors. The withdrawn funds are to be used by PRIDE for purposes of construction or renovation of its facilities, for the expansion or establishment of correctional work programs as described in Section 946.522 of the Florida Statutes, or for PIE programs as authorized under Section 946.523 of the Florida Statutes. As of December 31, 2023 and 2022, respectively, PRIDE held $1,151,708 and $617,588 in the PITF.

Note 7: PROPERTY, AGRICULTURAL ASSETS, AND EQUIPMENT

Property, agricultural assets, and equipment consist of the following at December 31:

December 31,	*Estimated Useful Lives*	**2023**	**2022**
Building and building improvements	Up to 30 years	**$ 7,910,493**	$ 7,815,733
Leasehold improvements	Up to 20 years	**7,833,283**	7,989,648
Machinery and equipment	3-10 years	**18,617,714**	19,458,790
Livestock	5 years	**1,124,599**	924,520
Office equipment and furniture	3-10 years	**1,947,380**	1,955,220
Software	3-10 years	**601,888**	601,888
Vehicles	4-6 years	**2,076,629**	2,178,078
Total property, agricultural assets, and equipment		**40,111,986**	40,923,877
Less accumulated depreciation and amortization		**(30,997,569)**	(31,273,615)
Property, agricultural assets, and equipment, net		**$ 9,114,417**	$ 9,650,262

During the years ended December 31, 2023 and 2022, PRIDE sold or disposed of various property, agricultural assets and equipment and recognized gains of $43,291 and $1,452,930, respectively.

Included in building and building improvements are three buildings with a net book value of approximately $1.1 million that are being maintained by PRIDE but are not being used in current operations. PRIDE is maintaining the buildings and depreciating them with the intent to negotiate future usage with DC.

Note 8: LEASES

Operating Leases – Lessee

PRIDE has operating leases for office space and equipment. The leases have remaining lease terms of 3 to 6 years.

During the year ended December 31, 2023, PRIDE executed four lease agreements treated as operating leases. The execution of these lease agreements resulted in right-of-use assets and operating lease liabilities of $1,631,065 at commencement.

The components of lease expense consist of the following:

For the years ended December 31,	**2023**	**2022**
Operating lease cost	$ 506,602	$ 322,439

Note 8: LEASES (Continued)

Operating Leases – Lessee (continued)

Weighted average remaining lease term and discount rates consist of the following:

For the years ended December 31,	**2023**	**2022**
Weighted average remaining lease term		
Operating leases	5.1 years	4.9 years
Weighted average discount rate		
Operating leases	1.96%	1.18%

The maturities of lease liabilities subsequent to December 31, 2023 consist of the following:

For the years ending December 31,		
2024	$	652,354
2025		640,740
2026		604,192
2027		604,192
2028		569,431
Thereafter		235,095
Total future minimum lease payments		3,306,004
Less imputed interest		(171,937)
Present value of lease liabilities	$	3,134,067

PRIDE leases various land, buildings, and equipment from DC. Under terms of the leases, annual lease payments are 50% of PRIDE's operating income after adjustments and reserves for capital expenditures, working capital requirements, and provision for certain other payments. Such adjusted operating income for the years ended December 31, 2023 and 2022, was less than zero and, accordingly, no annual lease payments were required.

PRIDE's lease agreements with DC relative to the use of the correctional facilities expire on June 30, 2025. Based on FS 946.505, upon expiration, all property relating to correctional work programs automatically reverts to full ownership by DC unless PRIDE intends to utilize such property in another correctional work program. As of the date of the audit report, no further information is available regarding the renewal of the lease agreements.

The fair value of the leased property cannot be reasonably estimated since the property is located next to correctional facilities. Therefore, in-kind revenue and expense has not been recognized in the accompanying financial statements.

Note 8: LEASES (Continued)

Financing Leases - Lessor

PRIDE is the lessor of dishwashers to DC under direct financing leases expiring in various years through 2026. PRIDE's net investment in the direct financing leases includes the cost of equipment installed as of December 31, 2023 and 2022, respectively, that totaled $630,151 and $607,981 offset by payments of $264,373 and $124,111 received through December 31, 2023 and 2022, respectively.

Minimum lease payments to be received as of December 31, 2023 through the end of the lease term are:

For the years ending December 31,	
2024	$ 146,311
2025	144,289
2026	75,177
Total	$ 365,777

Minimum lease payments do not include monthly service costs for maintenance and supplies. Annual revenue related to these agreements was $373,451 and $310,276 for 2023 and 2022, respectively.

Note 9: REVENUE

PRIDE recognizes revenue at a point in time (IE date of sale) for its sale of products and services. As of December 31, 2023 and 2022, there are no performance obligations to be satisfied which are related to its sales.

A summary of revenues disclosed on a disaggregated basis follows:

For the years ended December 31,	**2023**	**2022**
Specialty manufacturing	$ 22,916,595	$ 24,224,793
Graphics and digital	11,084,568	10,308,822
Services	11,617,291	12,933,472
Sewn products	7,108,316	7,505,657
Land management	9,790,126	7,856,454
General manufacturing	3,061,927	2,919,689
Total revenue	$ 65,578,823	$ 65,748,887

Contract Balances

A summary of contract balances follows:

December 31,	**2023**	**2022**
Contract assets		
Accounts receivable from contracts, beginning of year	$ 6,476,218	$ 5,760,984
Accounts receivable from contracts, end of year	$ 6,267,154	$ 6,476,218

Note 10: FUNCTIONAL EXPENSES

A summary of functional expenses follows:

	Program Services			Supporting Services	
For the year ended December 31,	**Training Programs**	**Mission Programs**	**Total Program Services**	**General and Administrative**	**Total 2023**
Cost of goods sold - direct cost	$ 30,317,795	$ 2	$ 30,317,797	$ 79,694	$ 30,397,491
Personnel	13,961,090	463,048	14,424,138	3,731,816	18,155,954
Other	2,738,098	154,160	2,892,258	1,092,095	3,984,353
Tools and supplies	2,672,461	29,700	2,702,161	102,047	2,804,208
Depreciation and amortization	2,100,876	7,350	2,108,226	-	2,108,226
Repairs and maintenance	1,851,872	1,463	1,853,335	26,047	1,879,382
Utilities	1,644,236	2,160	1,646,396	171,635	1,818,031
Transportation and travel	1,929,855	15,296	1,945,151	99,296	2,044,447
Professional fees	75,421	6,000	81,421	750,843	832,264
Liability insurance	531,239	11,117	542,356	78,921	621,277
Equipment rental and other	195,083	-	195,083	84,315	279,398
Victim restitution	70,415	923	71,338	-	71,338
Total	**$ 58,088,441**	**$ 691,219**	**$ 58,779,660**	**$ 6,216,709**	**$ 64,996,369**

	Program Services			Supporting Services	
For the year ended December 31,	**Training Programs**	**Mission Programs**	**Total Program Services**	**General and Administrative**	**Total 2022**
Cost of goods sold - direct cost	$ 31,440,094	$ -	$ 31,440,094	$ 27,214	$ 31,467,308
Personnel	13,306,910	309,742	13,616,652	3,609,070	17,225,722
Other	3,399,576	175,140	3,574,716	835,124	4,409,840
Tools and supplies	3,245,951	7,130	3,253,081	87,534	3,340,615
Depreciation and amortization	2,207,856	3,858	2,211,714	45,896	2,257,610
Repairs and maintenance	2,000,686	-	2,000,686	194,373	2,195,059
Utilities	1,661,209	2,116	1,663,325	82,220	1,745,545
Transportation and travel	1,817,350	10,141	1,827,491	680,852	2,508,343
Professional fees	129,751	-	129,751	96,843	226,594
Liability insurance	538,120	9,628	547,748	74,829	622,577
Equipment rental and other	435,076	-	435,076	-	435,076
Victim restitution	64,854	468	65,322	-	65,322
Total	**$ 60,247,433**	**$ 518,223**	**$ 60,765,656**	**$ 5,733,955**	**$ 66,499,611**

Note 10: FUNCTIONAL EXPENSES (Continued)

Functional expenses reconcile to the statements of activities as follows:

For the years ended December 31,	**2023**	2022
Cost of goods sold	**$ 52,667,477**	$ 55,265,689
Operating expenses	**12,249,198**	11,206,708
Interest expense	**79,694**	27,214
Total expenses	**$ 64,996,369**	$ 66,499,611

Note 11: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
    - observable; or
    - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Note 11: FAIR VALUE MEASUREMENTS (Continued)

SPIA - Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance.

Certificates of deposit – Investments are valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Money market – Investments are valued using the present value of future cash flows and using simple discounting based on one-day maturity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although PRIDE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized below:

December 31, 2023	Level 1	Level 2	Level 3	Total
SPIA	$ -	$ 2,740,698	$ -	$ 2,740,698
Money market	7,827,866	-	-	7,827,866
Certificates of deposit	-	13,246,270	-	13,246,270
Total	**$ 7,827,866**	**$ 15,986,968**	**$ -**	**$ 23,814,834**

December 31, 2022	Level 1	Level 2	Level 3	Total
SPIA	$ -	$ 19,815,056	$ -	$ 19,815,056

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 12: INMATE COMPENSATION PLANS

Traditional Wages

Florida Statute 946, which authorizes PRIDE to manage the state's prison industries, requires an inmate compensation plan. Under the inmate compensation plan, PRIDE is required to make inmate compensation payments directly to DC. These payments are credited to the account of the inmate that performs the labor.

The cost of the traditional inmate compensation plan was $1,038,935 and $963,114 for the years ended December 31, 2023 and 2022, respectively. The expense is recorded as a component of cost of sales.

Prison Industries Enhancement (PIE Wages)

Pursuant to Federal Statute 18 USC 1761 *(1979 Percy Amendment),* inmates involved in the production of goods in interstate commerce are paid a prevailing wage as established through the Florida Agency for Workforce Innovation. Deductions taken from gross wages include 50% for the Prison Industries Trust Fund, 10% for the Crimes Compensation Fund, 10% for court-ordered payments (as applicable), and other court-ordered obligations (e.g. child support), and are not to exceed 80% of gross wages.

PRIDE is required to make inmate compensation payments directly to DC. These payments, net of applicable withholdings, are credited to the account of the inmate that performs the labor. The cost of the PIE inmate compensation plan was $1,215,577 and $935,492 for the years ended December 31, 2023 and 2022, respectively. The expense is recorded as a component of cost of sales.

PRIDE's payments to DC for the Crimes Compensation Fund were $120,602 and $93,828 for the years ended December 31, 2023 and 2022, respectively. The expense is recorded as a component of cost of sales.

Note 13: CONTINGENCIES

PRIDE is subject to several lawsuits, investigations , and claims arising out of the normal conduct of its business, including those relating to commercial transactions, product liability and safety and health matters. Management believes that any liability arising from such claims would be immaterial to the accompanying financial statements.

PRIDE is responsible for an environmental contingency at one of its manufacturing operations. Remediation activity began prior to June 30, 1999, and was completed in 2008. Monitoring is expected to continue throughout the next several years. The expense associated with the ongoing costs of monitoring was $-0- and $54,926 for the years ended December 31, 2023 and 2022, respectively.

Note 13: CONTINGENCIES (Continued)

PRIDE's cash accounts with Truist Bank are invested in an overnight sweep. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Management considers the risk of loss remote.

PRIDE’s uninsured cash deposits are as follows:

December 31,	**2023**	2022
Truist Bank	**$ 5,840,082**	$ 3,008,779
Total uninsured cash	**$ 5,840,082**	$ 3,008,779

PRIDE's investment in the SPIA is not insured or guaranteed by the FDIC or any other government agency. Although SPIA seeks to preserve principal, it is not a guaranteed investment. PRIDE’s money market fund investments with Truist Investment Services, Inc. are not insured or guaranteed by the FDIC. PRIDE’s certificates of deposit investments held by Truist Investment Services, Inc. are fully insured by FDIC.

Note 14: CONCENTRATIONS

PRIDE's operations are concentrated to operations that take place predominantly within Florida's state prisons. In addition, PRIDE's operations are heavily regulated by the state. The operations of PRIDE are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including but not limited to DC. Such administrative directives, rules and regulations are subject to change by an act of Congress, the Florida Legislature, or an administrative change mandated by DC. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

PRIDE sells a significant amount of its products to state agencies. Concentrations in the percentage of sales to the following state agencies are as follows:

For the years ended December 31,	**2023**	**2022**
Florida Department of Corrections	**12%**	**12%**
Florida Department of Highway Safety and Motor Vehicles	**15%**	**14%**
Florida Department of Transportation	**6%**	**5%**

Note 15: RELATED PARTY TRANSACTIONS

The Department of Corrections is a significant customer and facilities and labor provider of PRIDE.

Board members who agree to receive compensation are paid an honorarium for attending in-person or via conference call for all board meetings and/or committee meetings.

Note 16: RISK MANAGEMENT PROGRAMS

PRIDE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; disease, damage and destruction of crops; directors' and officers' liability; auto liability; garage liability and employee dishonesty.

PRIDE minimizes these risks through insurance policies with specific limits of liability and deductibles for casualty exposures. PRIDE participates in the State of Florida Department of Financial Services property and casualty insurance program. This property coverage is on an actual cash value basis (replacement cost less accumulated depreciation) for all of its locations throughout the State of Florida. For general liability coverage, PRIDE depends on the *Florida Sovereign Immunity Act,* Section 768.28 of the Florida Statutes, to limit the potential tort liability to $200,000 per person or $300,000 per occurrence.

As of December 31, 2023, PRIDE is the defendant in various lawsuits; however as of the date of the independent auditor’s report, no amount or probability of damages could be estimated by management or legal counsel. It is management’s belief that any potential damages, if any, would be covered by insurance up to the limits noted above.

PRIDE's employee health insurance is a fully insured PPO program through Blue Cross Blue Shield of Florida: Blue Options. PRIDE's employee dental insurance is a self-insured program with maximum limits of $3,000 per participant per year. PRIDE's employee basic life and accidental death and dismemberment insurance is a fully insured policy up to one times an employee's salary rounded up to the nearest thousand, to a maximum of $50,000.

PRIDE's workers' compensation insurance program is through the State of Florida Department of Financial Services and short-term disability insurance is self-insured up to specified limits. PRIDE's long-term disability insurance is fully insured. PRIDE has insurance coverage in excess of the self-insured limits that provide both specific and aggregate coverage.

Note 17: RETIREMENT PLANS

401(k) Retirement Plan

The Prison Rehabilitative Industries and Diversified Enterprises 401(k) Retirement Plan (401(k) Plan) was established in January 2001. The 401(k) Plan provides for elective contributions by qualifying employees up to the maximum limit allowed by tax regulations. A Safe Harbor provision is in effect for the 401(k) Plan allowing for immediate vesting of employer match.

Beginning 2016, under the terms of the plan, PRIDE matches employee contributions based on the first 6% of employee compensation at a rate of one dollar for each dollar contributed. PRIDE, at its discretion, may make contributions in excess of these amounts. PRIDE’s employer contributions to the plan during the years ended December 31, 2023 and 2022, was $442,308 and $415,455, respectively. There were no discretionary contributions to the 401(k) Plan for the years ended December 31, 2023 and 2022.