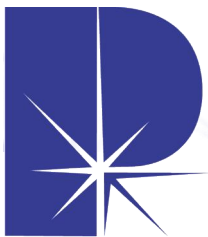
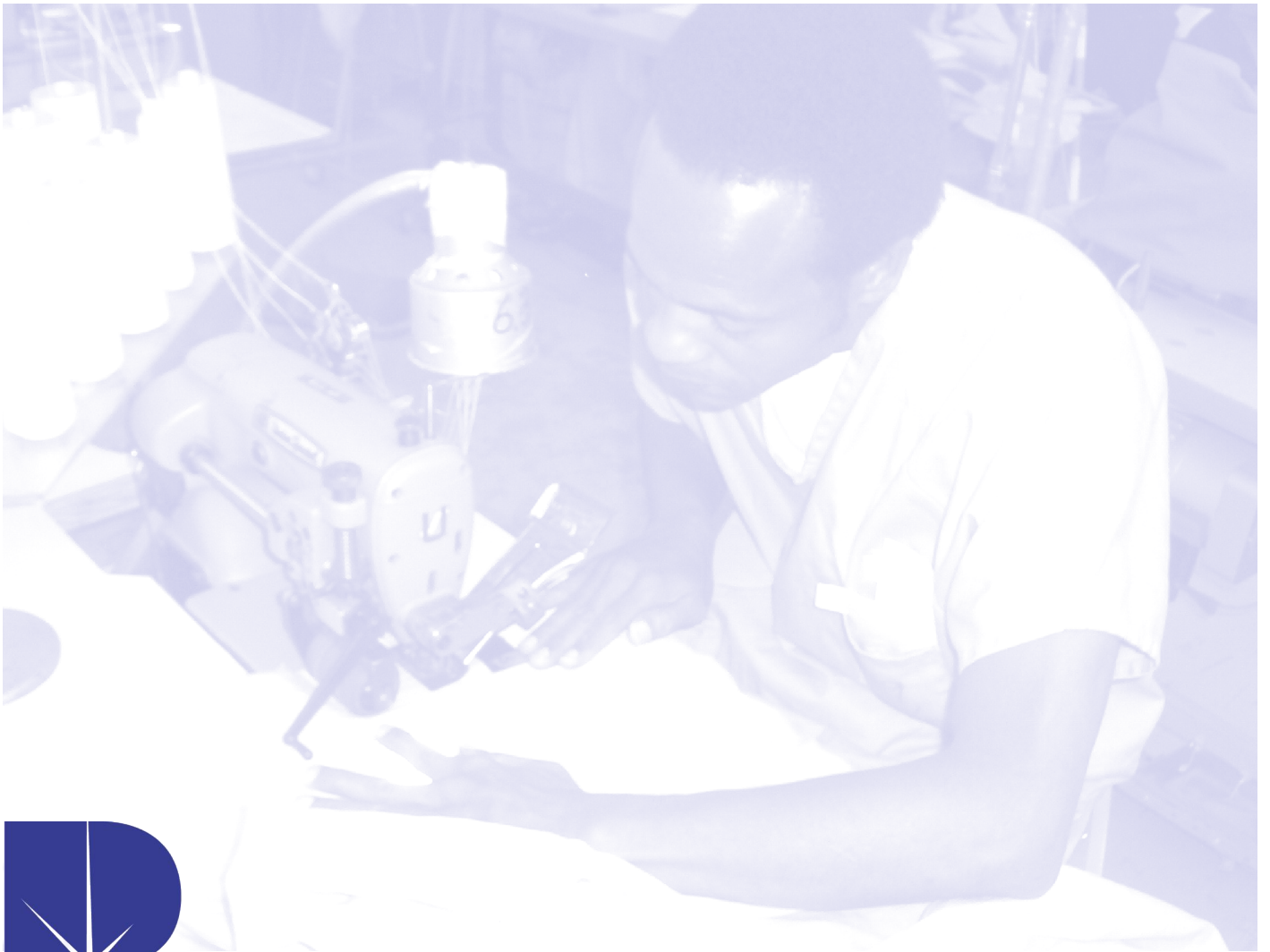




# Annual Report 2003



**PRIDE**  
ENTERPRISES

## Company Profile

### Helping Others Help Themselves

PRIDE Enterprises is an internationally recognized general manufacturing and services company. PRIDE operates 40 diverse industrial training programs in 21 prisons throughout Florida. A private, not-for-profit corporation founded in 1981, PRIDE has experience and expertise in working in correctional environments. PRIDE provides for job placement and other support services for ex-offenders to help them successfully transition back into society after a period of incarceration.

## Statutory Missions

**TO PROVIDE** a joint effort between the Department of Corrections, the correctional work programs, and other vocational training programs to reinforce relevant education, training, and post-release job placement and help reduce recommitment.

**TO SERVE** the security goals of the state through the reduction of idleness of inmates and the provision of an incentive for good behavior in prison.

**TO REDUCE** the cost of state government by operating enterprises primarily with inmate labor, which enterprises do not seek to unreasonably compete with private enterprise.

**TO SERVE** the rehabilitative goals of the state by duplicating, as nearly as possible, the operating activities of a free-enterprise type of profit-making enterprise.

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## Corporate Mission

**TO BUILD** productive citizens by training inmates and developing their work ethics in a free enterprise environment.

## Vision

**TO BECOME** the most successful company in the world that assists inmates become successful citizens.

## Values

- Quality Driven
- Respect
- Integrity
- Customer Focused
- Easy To Do Business With
- Model the Values



## 2003 Highlights

### Value

The President of the United States once said, "the value of life is to improve one's condition. Whatever is calculated to advance the condition of the honest, struggling laboring man . . . I am for that thing." Those comments capture the essence of the American spirit. The idea of advancing oneself through hard work and struggle is a hallmark of our culture. It is not by chance that we work longer hours and take less vacation than almost every nation in the world. You see we have little choice. It has been part of the American tradition since our forefathers left the shores of distant lands to meld disparate cultures into this country. Those Presidential remarks are as true today as when they were spoken over one hundred and forty three years ago by the 16th President of the United States, Abraham Lincoln.

### The Value of PRIDE

PRIDE is an independent company founded 23 years ago that embraces the quintessence of Lincoln's observation. While its statutory mission is based on lengthy language established by the Legislature, its spirit can be synthesized into a single short phrase of "helping others help themselves." While PRIDE was heavily involved with change management in 2002, 2003 was a year where management challenged the company's relevance to its stakeholders. A rapidly changing economy and marketplace highlighted the significance of its corporate mission, vision and values. Embodying corporate principles, a company's mission, vision and values represent its purpose, goals and core ideals that the company considers intrinsically important. These guiding objectives provide a frame of reference for organizational decision-making.

Today, our stakeholders hold us to higher standards and expect PRIDE to conduct its business in a manner consistent with our stated principles. As consumer (both tax supported and private) and market needs change more rapidly and PRIDE becomes more decentralized, employees have been empowered with an understanding of PRIDE's core principles to enable them to make better decisions. Companies with strong mission, vision and values have an advantage in achieving key business goals. In the 1995 book, *Built to Last*, Collins and Porras' analysis of 18 "visionary" companies who were driven by principles and goals beyond profit maximization found that these businesses show correlations between a company's mission, vision and values and its financial performance, customer loyalty and effective risk management.

### The Value to Its Workers

PRIDE enables inmates to gain vocational skills in one of its 40 industries to aid in their transition to the outside world

and helps to reduce recidivism. In 2003, over 3.5 million work hours were logged by inmate workers, working in 2049 jobs. Reducing the likelihood that inmates will return to prison after release is one of PRIDE's statutory missions. In 2003, the recidivism rate among inmates who worked for its industries dropped to 17% and is significantly lower than the national average recidivism rate for all inmates. PRIDE funds placement of PRIDE inmate workers upon their release through its affiliate company, Labor Line. In 2003, over 85% of all released inmates who were PRIDE trained workers were placed in jobs. In addition, other PRIDE affiliates, Global Digital, Global Remanufacturing, ITC and FCP, continue to seek prospects to provide opportunities for PRIDE workers. Approximately 12% of PRIDE's inmate workers were engaged in PRIDE affiliated companies.

### The Value to Its Customers and Competition

To meet the demands of the increasing State inmate population, PRIDE must increase its revenue. It takes approximately \$32,000 in incremental sales to create a new inmate position. In 2003, the challenge was to increase revenue as the State budget declined and more functions privatized. The company continued to diversify its customer base with only approximately 52% of its business coming from the State. To attract city, county and private sector business, PRIDE had to competitively demonstrate that it could consistently provide value in terms of product, delivery, quality and price. PRIDE offers a reasonably stable and cost-effective workforce for industries that require labor-intensive work. In addition, its level of quality is highly competitive with private enterprise. For example, an industry within PRIDE's Sewn Products Strategic Business Unit (SBU) received ISO 9001 accreditation in 2003. This is the second SBU to receive International Organization for Standardization (ISO) certification, an honor very few corporations receive and one that no other State's prison industry program has been awarded.

PRIDE supervisors spend a significant part of their day training inmates to enhance their skill level. As a consequence, many of our competitors have waiting orders for released PRIDE trained workers. PRIDE is one of the rare corporations that actively trains its workers to go to work for its competition upon release.

### The Value to Citizens of the State of Florida

In the 2004 State of the Union address, President George W. Bush stated, ". . . tonight I ask you to consider another group of Americans in need of help. This year, some 600,000 inmates will be released from prison back into society. We know from long experience that if they can't find work, or a home, or help, they are much more likely to commit crime and return to prison. So tonight, I propose a four-year, \$300



million prisoner re-entry initiative to expand job training and placement services, to provide transitional housing, and to help newly released prisoners get mentoring, including from faith-based groups. America is the land of second chance, and when the gates of the prison open, the path ahead should lead to a better life." While the President's initiative is to be applauded, PRIDE has been training inmates, providing housing and placing PRIDE trained inmates in meaningful jobs (85% of those released in 2003) for over 10 years. All of this good work was done without a single dollar of direct government funding.

As a prudent corporate citizen, PRIDE has independent certified public auditors audit its financial records annually to insure compliance with State and Federal laws and generally accepted accounting practices.

As a stakeholder, the State periodically reviews PRIDE's performance through the State Office of Program Policy Analysis and Government Accountability (OPPAGA). In December 2003, OPPAGA confirmed that PRIDE benefits the state by providing vocational training for prison inmates and enhances security in correctional institutions. OPPAGA acknowledged PRIDE's benefit to the state correctional system in several ways: reducing inmate idleness, providing incentives for good behavior, facilitating payment of restitution, and providing useful vocational skills to inmates that may help to reduce recidivism.

While much of the report was favorable, OPPAGA was critical of PRIDE's corporate restructuring with regard to its

relationship with Industries Training Corporation and the money it has loaned to this company. PRIDE is taking steps to formalize the debt agreement to address this and other audit concerns.

### The Value of Cooperation

PRIDE employees take great satisfaction knowing that they embody the spirit of President Lincoln's remarks that "the value of life is to improve one's condition". All of PRIDE's stakeholders, its customers, its workers, its employees, its Board of Directors, and the State of Florida, all share in adding value to PRIDE's successful mission of *helping others help themselves*.

Maria Camila Leiva, Chairman  
PRIDE Board of Directors

John F. Bruels  
President

● ● ● | Board of Directors

Members of the PRIDE Board of Directors are appointed by the Governor and confirmed by the Senate. The Board of Directors submit candidates for consideration based on business expertise, geographic location, gender and cultural diversity. Members serve on the Board without compensation for their time and service. The following is a list of members with their business affiliation and geographic location:

\*Maria Camila Leiva,  
Chairman of the Board  
MFZ Management Corporation, Coral Gables

John F. Bruels  
President  
PRIDE Enterprises, St. Petersburg

\*Pamela Jo Davis  
CEO  
PRIDE Enterprises, St. Petersburg

\*Kenneth L. Mellem  
IT Executive, Largo

\*Lawrence W. Hamilton  
Tech Data Corporation, Clearwater

\*Marcelo A. Alvarez  
EFG Capital International, Miami

William G. Dresser  
Former Telecommunications and Public Television Executive, Jacksonville Beach

Richard L. Hanas  
A. Duda and Sons, Inc., Oviedo

Walter B. "Mike" Hill  
State Farm Insurance, Pensacola

James V. Crosby, Jr.  
Florida Department of Corrections, Tallahassee

Edward C. Peddie  
Former Health Plan Executive, Gainesville

Carol S. Spalding  
Florida Community College, Jacksonville

Gwendolyn W. Stephenson  
Hillsborough Community College, Tampa

Derrick D. Wallace  
Construct Two Group, Orlando

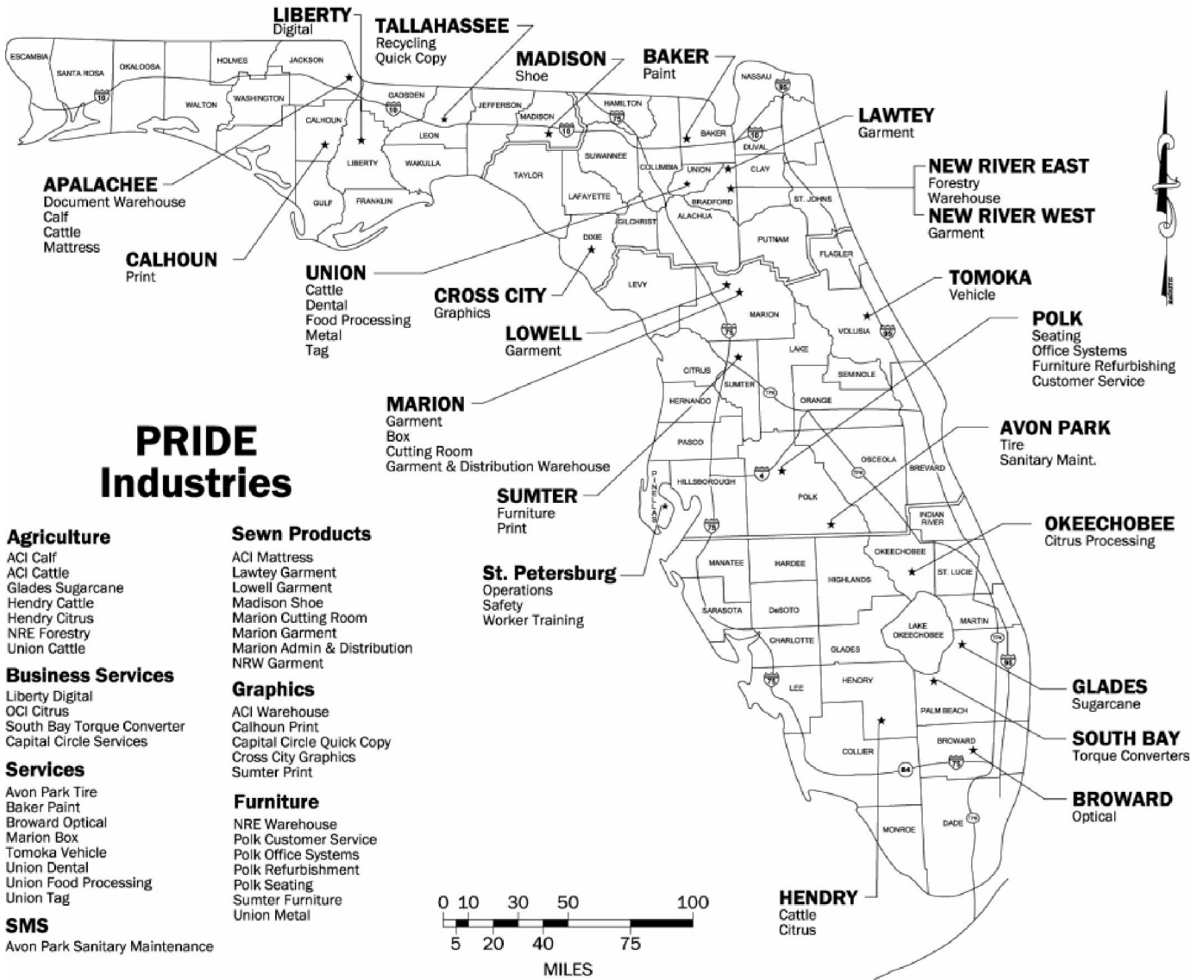
The CEO and President of PRIDE in addition to the Secretary of the Florida Department of Corrections automatically serve on the Board. The Board determines the compensation of the President of PRIDE and approves compensation plans submitted by the President for other employees. Board members submit annual statements of independence and conflicts of interest are disclosed within the financial statements.

\*Also serve on the Board of Trustees of Industries Training Corporation



Standing (l to r): Richard L. Hanas, Walter B. "Mike" Hill, Kenneth L. Mellem, Pamela Jo Davis, Lawrence W. Hamilton, John F. Bruels  
Seated (l to r): Maria Camila Leiva, James V. Crosby, Jr., Marcelo A. Alvarez, William G. Dresser, Edward C. Peddie, Carol S. Spalding  
Not pictured: Gwendolyn W. Stephenson, Derrick D. Wallace







## Industry Spotlight

*PRIDE's Lawtey  
Garment Industry  
receives ISO  
9001:2000  
Certification*

### Lawtey Garment Industry

On August 25, 2003, after a six day audit conducted by Eagle Registrations, Inc., of Dayton, Ohio, PRIDE's Lawtey Garment Industry accomplished what only one in five Standard & Poors 500 companies has achieved; ISO 9001:2000 *Certification*.



The purpose of the International Organization for Standardization (ISO) is to promote the international exchange of goods and services through the development of standardization. The ISO 9000 Series standards focus on systems for managing quality. The standards are documented agreements containing technical specifications or other precise criteria that are used consistently to ensure that materials, products, processes and services meet defined standards. Product certification involves one-time testing of a product sample by a third-party test house to confirm that the product meets the standards. Registration of the quality system confirms that the supplier has the capability of manufacturing to the product specifications. The first standard, ISO 9001, is the most comprehensive and is used to assure quality in design/development, production, installation and servicing. This standard is typically used by manufacturing organizations that design and build their own products.

The audit process is comprehensive. The integrity of all processes are audited to insure compliance to written procedures and methods from order receipt through delivery. A key element of an ISO audit is the assurance that written documents are linked to work activities and those activities are being performed as defined.

The workforce in the PRIDE plant, consisting of 87 inmate workers, three supervisors, a production manager and an industry manager, worked diligently for over a year to prepare for the strict document requirements. The initial task was defining the sequential manufacturing steps for each garment. Then, documentation that coordinated and linked respective ISO elements to each business or manufacturing step was created. Next, a trial audit was conducted to determine if written linkage to the work being performed was sound. Finally, the process was implemented and workers trained in each step. Throughout the

process, many classes and seminars were conducted with the workforce to ensure that the plant's Quality Policy was understood. The education process was a critical element. A dependent factor of certification is the level to which a workforce can verbalize their understanding of the manufacturing steps and expected results.

There were two factors driving the decision to pursue ISO certification. ISO certification was a necessary step to apply for National Fire Protection Association (NFPA) Certification in order to expand marketing of the Nomex Wild Land Garment currently being manufactured at the plant. Further, the consistency in manufacturing the garments according to stringent standards provides our customers with reasonably priced, quality products in a timely manner.

Through this process, inmates have learned the importance of enhanced product quality and reliability at a reasonable price. They also learn that following guidelines leads to better safety practices, increased efficiency and productivity and a reduction in cost. This enhances the PRIDE experience of providing inmates with invaluable skills that are extremely useful and relevant to private companies so that upon their release they can re-enter the workplace as skilled workers that contribute to society.





## Former PRIDE Worker Success Story

Mr. Chester Fair is living proof that the PRIDE experience works. Chester worked in PRIDE's textile industries for over 9 years learning all aspects of garment production from cutting patterns to operating single needle sewing machines and sergers. About his PRIDE experience Mr. Fair says, "PRIDE provided good job training and helped me change my attitude which gave me a positive outlook on life."

After receiving post-release support through the PRIDE Transition Program, he was hired as a sewing machine operator at Over the Top Inc. which is a full-service linen rental company based in Fort Lauderdale, Florida. The work ethic and job skills he developed at PRIDE have made him an asset to his employer. Alan Eingold, owner of Over the Top says, "Chester is a valuable, trusted employee with a wonderful attitude. He is liked by everyone and when asked to do extra work, he accepts it with a smile." His responsibilities have expanded to include laying out and cutting fabric, making deliveries and picking up products. Chester has been working at Over the Top for 18 months using machinery that he learned to operate at PRIDE.

Between the training he received at PRIDE and the assistance provided through the PRIDE Transition Program, Chester states that "without the help from PRIDE, I wouldn't be where I am at now".

Chester Fair is among thousands of former PRIDE workers who now contribute to society. Clearly, the PRIDE experience works.



Chester Fair shown with employer, Nancy Eingold

*"Chester is always stepping up to the plate. He is someone I would want on my side." - Alan Eingold, Owner*

*Over the Top Inc.*

*[www.overthetopinc.com](http://www.overthetopinc.com)*



## Former PRIDE Workers

The following are excerpts from mail received from former PRIDE workers over the past year:

"I am happy to say I have started my new life with the help of PRIDE. Without this program I know in my heart that I would have gotten out and went back to "hang with the gang", robbing and using and selling drugs. But with the help of the PRIDE Transition Program, I moved away from all that. I didn't know anyone or how to get around, but you made sure I was okay all the way. I'm about to take night classes for my GED. I only went as far as the 8th Grade, but I'm feeling so good about myself, why stop now? I'm going all the way to the top. You've helped me in prison and you've helped me outside of prison. Now who could ask for anything more? I am truly happy." - Former New River West Textile worker.

"I just wanted to take a quick moment to thank all of you for your assistance and support while I was at Raiford. Also, I want to acknowledge the continued support I have received since I've been released. The PRIDE program has been really good to me and I just wanted to say thank you. I'm employed...and all is going well. Thanks again!!"  
- Former Union Tag worker

I want you to know that I appreciate your assistance with my future. PRIDE will be the reason I can't fail on the streets.  
- Former Calhoun Print Industry worker

"Words cannot say Thank You enough for all the help since I was released. My job is going so great, they are a wonderful dental lab and I couldn't be working there without PRIDE's training and help when I was released. I won't let anyone down, especially myself".  
- Former Union Dental worker

I'm truly doing the right thing and I hope I can be a role model for the guys that work for PRIDE.  
- Former Calhoun Print Industry worker

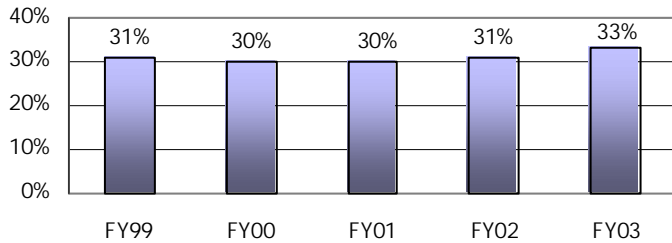
## PIE Program

The following PIE projects are operated in the State of Florida. In 2003, PRIDE operated 9 projects at 10 Correctional Institutions.

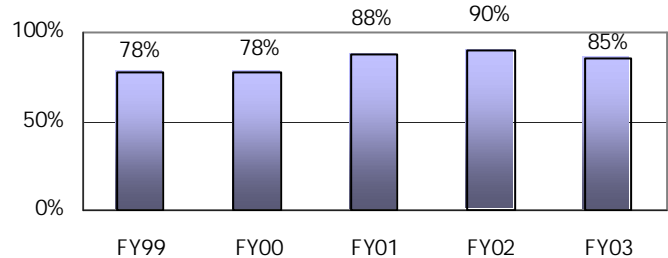
| PIE PROJECT  | PIE MODEL TYPE | LOCATION / WORKERS                  | PRODUCTS   |
|--|----------------|-------------------------------------|--|
| PRIDE's Optical Lab PIE                              | Customer       | Broward CI (32)                     | Optical lab services, manufacturing of eyewear (frames and lenses) |
| PRIDE's Coatings PIE                                 | Customer       | Baker CI (8)                        | Traffic & architectural paint and coating products                 |
| PRIDE's Fabrication PIE                              | Customer       | Union CI (33)                       | Metal products & manufacturing services                            |
| PRIDE's Polk Furniture PIE                           | Customer       | Polk CI (3)                         | Fabrication, assembly, & furniture manufacturing processes         |
| PRIDE's Produce Processing PIE                       | Customer       | Okeechobee CI (35)                  | Processing and packaging of citrus products into juice             |
| PRIDE's SMS PIE                                      | Customer       | Avon Park CI (13)                   | Mixing, Processing & Packaging of cleaning supplies                |
| PRIDE's Imaging PIE                                  | Customer       | Calhoun CI (8)                      | Placing images on a variety of substrates                          |
| PRIDE's Textile PIE                                  | Customer       | Madison CI (45)<br>Apalachee CI (8) | Providing cut and sew manufacturing & outsourcing capabilities     |
| PRIDE's Dental Lab                                   | Customer       | Union CI (46)                       | Dental lab services  |
| <b>PIE Employer Models</b>                           |                |                                     |  |
| Maven Manufacturing                                  | Employer       | Hardee CI (16)                      | Manufacture of fabric furniture                                    |
| <b>Private Institutions</b>                          |                |                                     |  |
| Corrections Corporation of America & Hunter Printing | Employer       | Lake City CI (9)                    | Printing for the entire CCA corporate facility and institutions    |
| Corrections Corporation of America & Bob Barker      | Employer       | Bay County CI (13)                  | Manufacture of textiles & garments                                 |
| <b>TOTAL INMATE WORKERS</b>                          |                | <b>269</b>                          |  |

**MISSION 1: EDUCATE, TRAIN AND PROVIDE POST-RELEASE JOB PLACEMENT TO INMATES AND HELP REDUCE RECOMMITMENT**

**OUTPUT: Percentage of Inmate Workers Completing Training Programs**



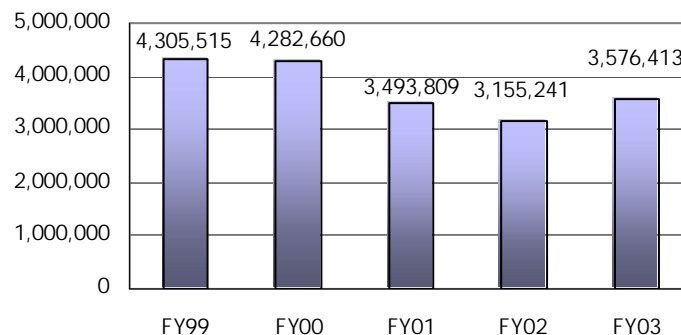
**EFFICIENCY: Percentage Of Ex-Offenders Placed in Jobs**



Comprehensive training programs have been developed for all PRIDE industries. Over the last five years, the percentage of inmate workers completing training programs has been maintained in the low 30's. The length of a program (number of hours) and inmate turnover are factors affecting the percentage of workers who complete the training programs. Depending on the job skill being learned, programs vary from 450 hours to over 6000 hours. The training certificates are recognized by employers and certified by either the Department of Education or other expert authority. Job placement of ex-offenders has been affected by the economy and unemployment rate resulting in a slight decrease in 2003.

**MISSION 2: SECURITY THROUGH REDUCTION OF INMATE IDLENESS**

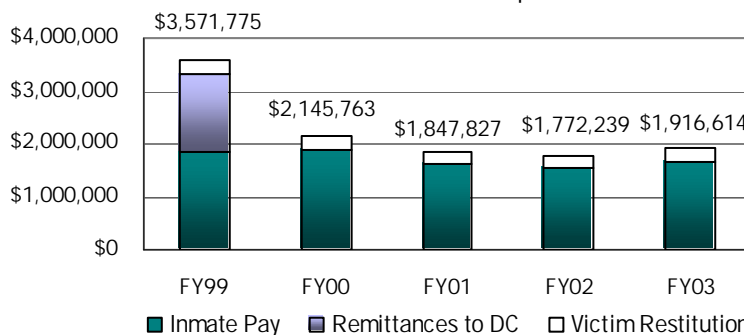
**OUTPUT: Inmate Hours Worked**



The number of inmate hours worked varies according to product sales. As the economy and state budget cuts affected sales, likewise, inmate hours worked has been affected. There was a significant increase in 2003 in both sales and inmate hours.

**MISSION 3: REDUCE COST TO STATE GOVERNMENT BY USING INMATE LABOR TO OPERATE ENTERPRISES**

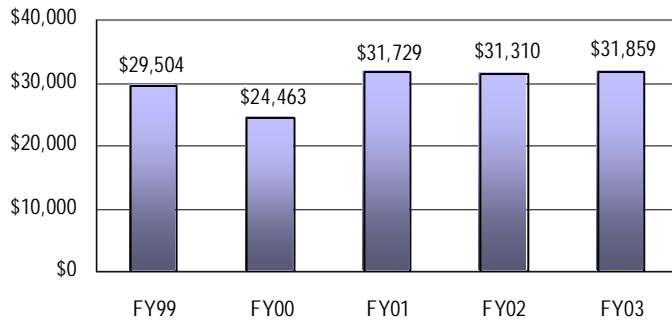
**OUTCOME: Total Inmate Compensation**



The company contributes 15% of total inmate compensation to the State Victim Restitution Fund. This contribution is over and above the amount paid for inmate compensation. Inmate compensation includes PIE wages and traditional wages.

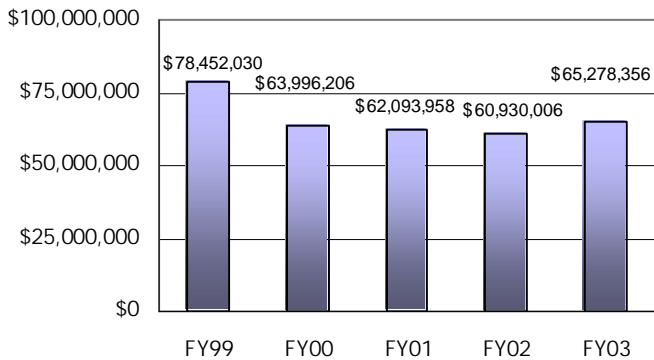
**MISSION 4: REHABILITATE IN A FREE-ENTERPRISE ENVIRONMENT**

**EFFICIENCY: Sales Dollars\* Per Inmate Workstation**

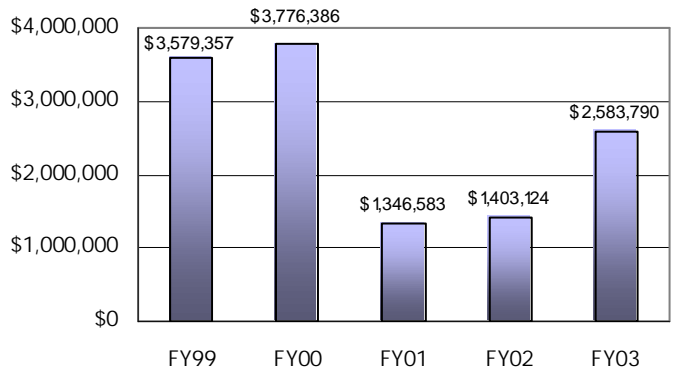


The company must generate sales to create job positions for inmates. Currently, almost \$32,000 in product sales is required to be able to create *one* inmate job position.

**OUTPUT: Annual Revenues\***

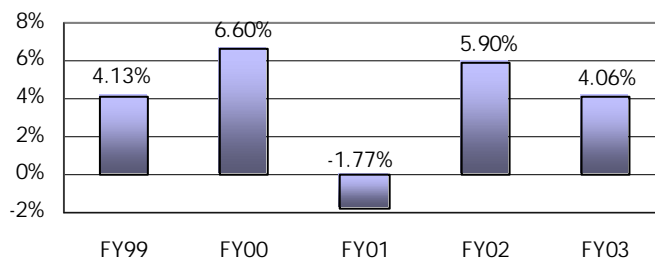


**INPUT: Annual Capital Expenditures**



Annual Revenues represent the income for the sale of products and services. The state budget cuts and economy have affected revenues. PRIDE reinvests capital in its operations to keep up with technology, make major repairs to buildings and replace obsolete equipment. These investment costs are reflected in the Annual Capital Expenditures chart above.

**OUTCOME: Earnings-to-Sales Ratio\* (before Program Support)**



As a standard financial measurement of performance, the earnings-to-sales ratio is an indicator of a company's success. It is an indicator of the management strategies with respect to administrative, general and overhead expenses.

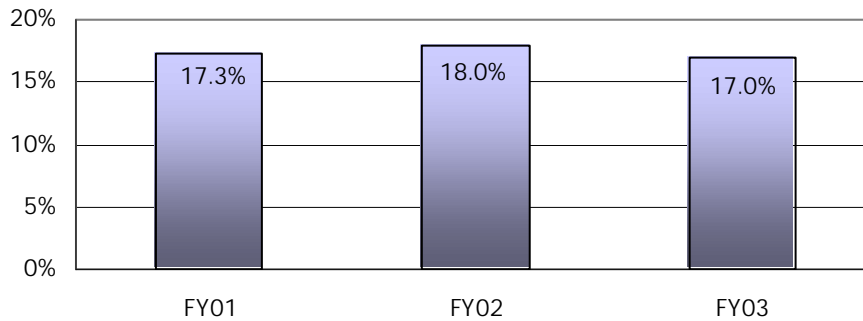
\*Financial amounts are based on continuing operations



## Recidivism Information

Since 1996, PRIDE has used the same methodology to measure recommitment of former PRIDE workers. The measurement criteria is identical to the criteria used by the Florida Department of Corrections. Since past studies have shown that ex-offenders tend to commit new crimes within the first two years after their release, PRIDE's study tracks former PRIDE workers who have committed a new crime in the past 24 months. The 2003 recommitment rate reflects the percentage of those who committed crimes since being released in 2001.

FY01- FY 03 Recidivism Rates



PRIDE has compared the released PRIDE workers with the overall releases by the Florida Department of Corrections\*. The results comparing releases by race and age are found in the table below for releases between 1999 and 2001.

General Characteristics of FY1999, FY2000, FY2001 Prison Releases

|            | FY 1999 |        | FY 2000 |        | FY 2001 |        |
|------------|---------|--------|---------|--------|---------|--------|
|            | PRIDE   | FDOC*  | PRIDE   | FDOC*  | PRIDE   | FDOC*  |
| Race       |         |        |         |        |         |        |
| White      | 50.1%   | 42.6%  | 50.1%   | 42.4%  | 51.3%   | 44.1%  |
| Black      | 47.4%   | 55.5%  | 47.6%   | 55.6%  | 46.7%   | 53.8%  |
| Other      | 2.5%    | 1.9%   | 2.3%    | 2.0%   | 2.0%    | 2.1%   |
| TOTAL      | 100.0%  | 100.0% | 100.0%  | 100.0% | 100.0%  | 100.0% |
| Age        |         |        |         |        |         |        |
| 17 & Under | 0.0%    | 0.5%   | 0.0%    | 0.4%   | 0.0%    | 0.3%   |
| 18-24      | 5.5%    | 19.9%  | 5.6%    | 20.0%  | 3.8%    | 20.3%  |
| 25-34      | 30.5%   | 36.3%  | 28.9%   | 34.7%  | 25.4%   | 33.4%  |
| 35-49      | 50.2%   | 37.9%  | 52.2%   | 38.9%  | 55.7%   | 39.8%  |
| 50-59      | 10.4%   | 4.1%   | 10.7%   | 4.7%   | 11.9%   | 4.8%   |
| 60+        | 3.4%    | 1.3%   | 2.6%    | 1.3%   | 3.2%    | 1.4%   |
| TOTAL      | 100.0%  | 100.0% | 100.0%  | 100.0% | 100.0%  | 100.0% |

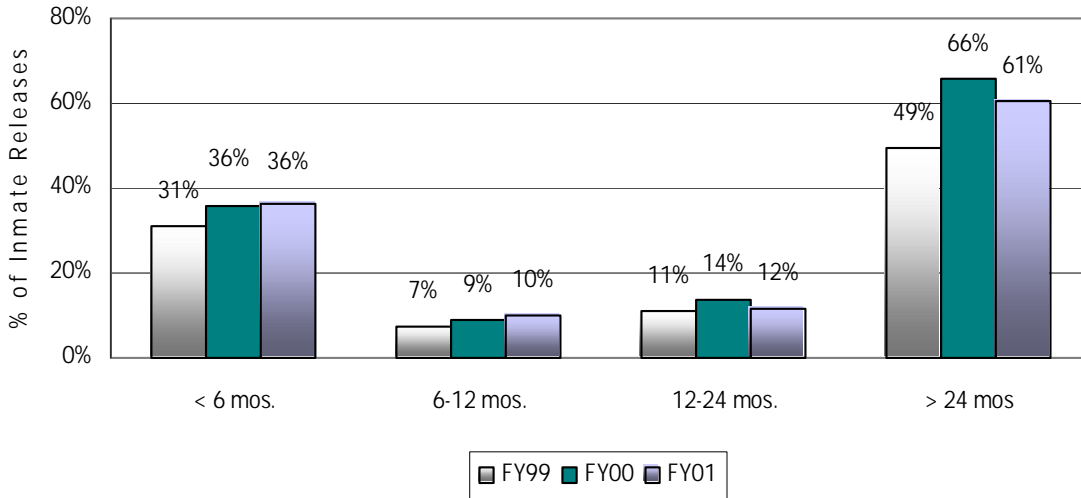
\*Source: Florida Department of Corrections 1998-1999 Annual Report , 1999-2000 Annual Report and 2000-2001 Annual Report



# Recidivism Information

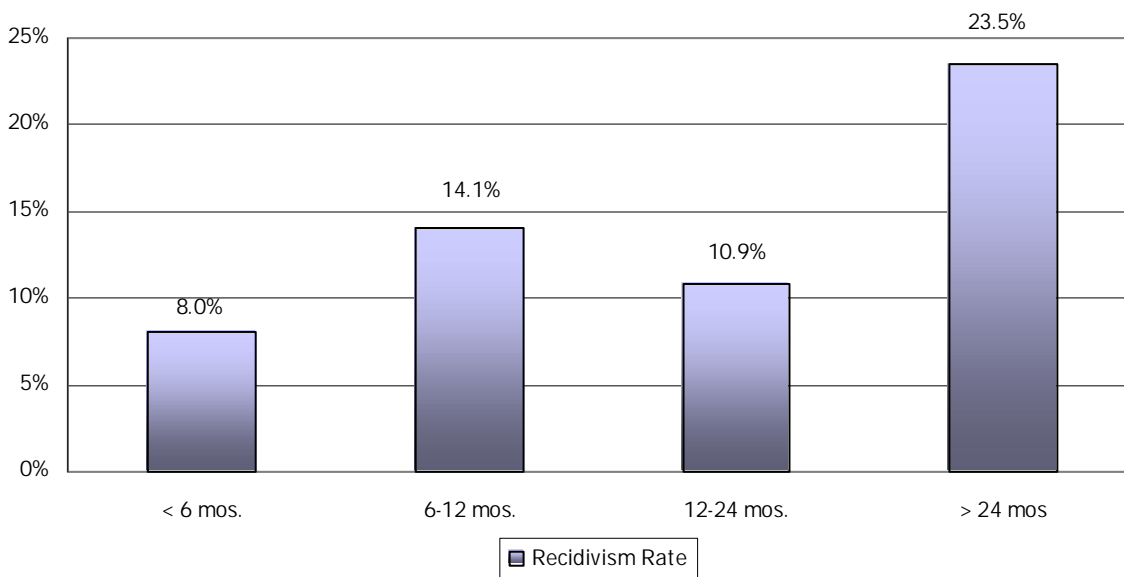
An analysis of the PRIDE releases for the study period was performed to determine the effect on recidivism based on the date a PRIDE worker was terminated from a PRIDE facility and the date of release by the Florida Department of Corrections. The chart below provides a breakdown of released PRIDE workers broken down by the time period since they had worked in a PRIDE industry and their release date from prison. A high percentage were away from a PRIDE industry for more than 24 months prior to their release.

PRIDE Releases by Termination Date vs DOC Release Date



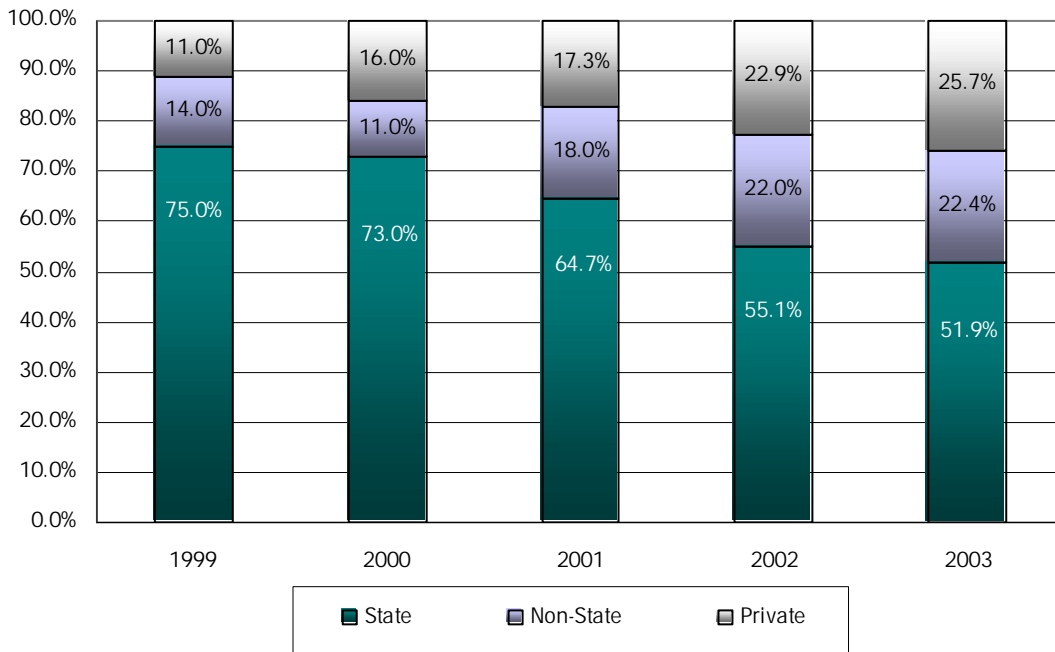
The study group for 2001 was analyzed to determine the recidivism rate based on the period of time between working in a PRIDE industry and their release date. The chart below indicates that the longer the period of time from working in a PRIDE industry upon release, the greater the probability of committing a new crime. The group released within 6 months of working for PRIDE recommitted at a rate of 8%, whereas the group released more than 24 months since working for PRIDE recommitted at a rate of 23.5%.

FY01 PRIDE Releases by Termination Date vs Recidivism Rate



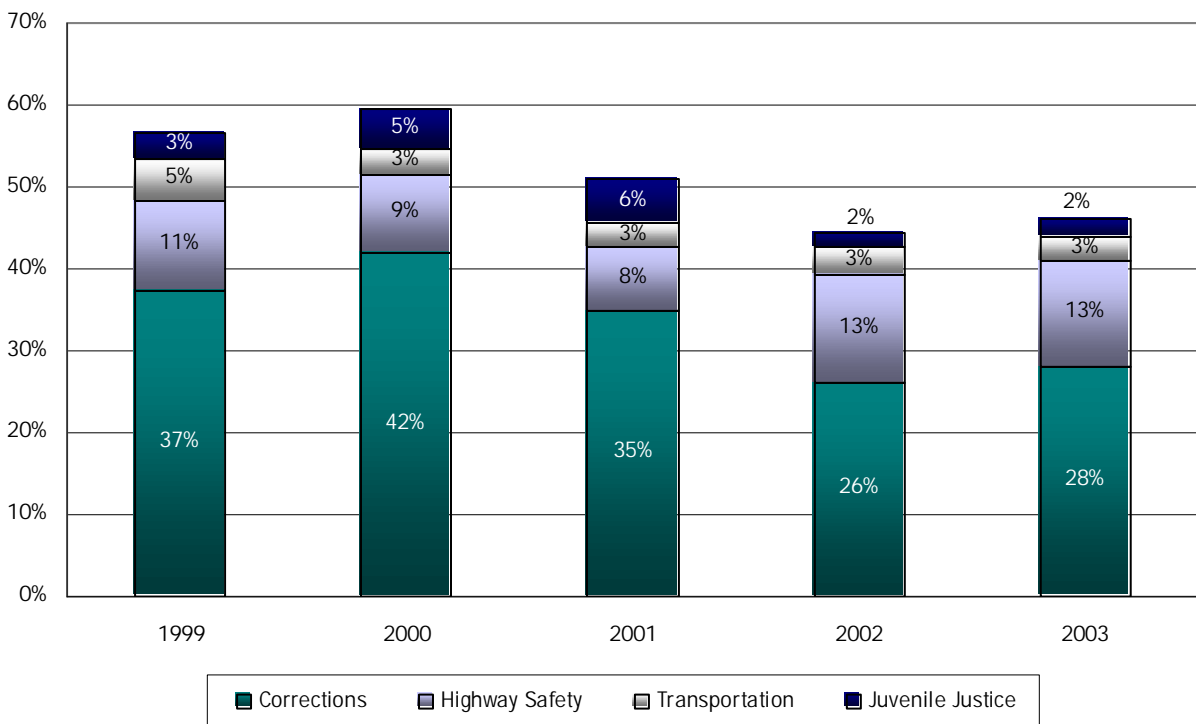
The percentage of sales to state government has been declining over the past 5 years.

Sales by Market Sector



Sales over the past five years to the four State agencies that represent PRIDE's largest State customers are shown in the chart below. Sales to the Department of Corrections have shown the most significant decline.

Sales by State Agency



Balance Sheets  
December 31, 2003 and 2002

|   | <u>2003</u>   | <u>2002</u>   |
|---|---------------|---------------|
| Assets  |               |               |
| Current Assets:   |               |               |
| Cash  | \$ 236,316    | \$ 245,311    |
| Accounts Receivable, Net of Allowance for Doubtful          |               |               |
| Accounts of \$299,622 and \$259,471, respectively           | 6,561,539     | 6,123,086     |
| Inventories   | 8,050,043     | 7,919,107     |
| Due from Industries Training Corporation                    | 711,000       | 1,196,915     |
| Due from Florida Citrus Partners                            | 800,000       | -             |
| Other Current Assets  | 796,714       | 843,405       |
| Total Current Assets  | 17,155,612    | 16,327,824    |
| Property, Agricultural Assets and Equipment, Net            | 17,601,040    | 17,911,995    |
| Due from Industries Training Corporation - Long Term        | 1,192,024     | 6,063,945     |
| Due from Florida Citrus Partners - Long Term                | 2,648,435     | 2,400,028     |
| Other Assets  | 117,714       | 119,934       |
|   | \$ 38,714,825 | \$ 42,823,726 |
| Liabilities and Net Assets                                  |               |               |
| Current Liabilities:  |               |               |
| Line of Credit  | \$ 2,750,000  | \$ 2,750,000  |
| Current Installments of Notes and Capital Leases Payable    | 515,149       | 1,133,775     |
| Accounts Payable  | 4,182,959     | 6,130,059     |
| Accrued Expenses  | 2,011,694     | 2,069,253     |
| Remediation Contingencies                                   | 534,801       | 534,801       |
| Total Current Liabilities                                   | 9,994,603     | 12,617,888    |
| Notes and Capital Leases Payable, Less Current Installments | 2,741,971     | 2,043,762     |
| Total Liabilities   | 12,736,574    | 14,661,650    |
| Net Assets  | 25,978,251    | 28,162,076    |
|   | \$ 38,714,825 | \$ 42,823,726 |

See notes to financial statements

Statements of Operations and Program Support and Changes in Net Assets  
For the Years Ended December 31, 2003 and 2002

|   | <u>2003</u>    | <u>2002</u>    |
|---|----------------|----------------|
| Sales   | \$ 65,278,356  | \$ 60,930,006  |
| Cost of Sales   | (56,918,433)   | (50,058,032)   |
| Gross Margin  | 8,359,923      | 10,871,974     |
| Sales and General Expenses  | (7,760,556)    | (7,375,292)    |
| Loss on Sale of Assets  | (26,492)       | (530,079)      |
| Other Income  | 2,227,462      | 840,279        |
| Interest Expense  | (152,941)      | (213,005)      |
| Income Before Program Support   | 2,647,396      | 3,593,877      |
| Program Support:  |                |                |
| Inmate Services   | (474,684)      | (486,489)      |
| Victim Restitution Fund   | (249,991)      | (231,162)      |
| Total Program Support   | (724,675)      | (717,651)      |
| Net Operating Income  | 1,922,721      | 2,876,226      |
| Restructuring of Obligation Due From Industries Training Corporation    | -              | (5,279,190)    |
| Net Income (Loss) from Continuing Operations before pension adjustment  | 1,922,721      | (2,402,964)    |
| Additional Pension Liability Adjustment Attributable to PRIDE Employees | (4,106,546)    | -              |
| Net Loss from Continuing Operations                                     | (2,183,825)    | (2,402,964)    |
| Discontinued Operations   |                |                |
| Gain on Disposal of Discontinued Operations                             | -              | 815,444        |
| Change in Net Assets  | \$ (2,183,825) | \$ (1,587,520) |
| Net Assets at Beginning of Year   | \$ 28,162,076  | \$ 29,749,596  |
| Net Assets at End of Year   | \$ 25,978,251  | \$ 28,162,076  |

See notes to financial statements



Statements of Cash Flows  
For the Years Ended December 31, 2003 and 2002

|   |                     |                    |
|---|---------------------|--------------------|
| Cash Flows from Operating Activities:   | <u>2003</u>         | <u>2002</u>        |
| Change in Net Assets  | \$ (2,183,825)      | \$ (1,587,520)     |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |                     |                    |
| Depreciation and Amortization   | 2,782,703           | 2,123,430          |
| Loss on Sale of Property, Livestock, and Equipment  | 26,492              | 164,635            |
| Restructuring of Obligation Due From Related Parties  | -                   | 5,279,190          |
| Provision for Doubtful Accounts   | 300,378             | 231,386            |
| Decrease (Increase) in:   |                     |                    |
| Accounts Receivable   | (738,831)           | (67,315)           |
| Inventories   | (130,936)           | 559,483            |
| Due from Florida Citrus Partners  | (1,048,407)         | (629,344)          |
| Due from Industries Training Corporation  | 5,357,836           | (4,949,236)        |
| Other Current Assets  | 46,691              | (236,343)          |
| Other Assets  | 2,220               | (78,519)           |
| Increase (Decrease) in:   |                     |                    |
| Accounts Payable  | (1,947,100)         | 385,527            |
| Accrued Expenses  | (57,559)            | 381,693            |
| Remediation Contingencies   | -                   | 2,606              |
| Net Cash Provided by Operating Activities   | <u>2,409,662</u>    | <u>1,579,673</u>   |
| Cash Flows from Investing Activities:   |                     |                    |
| Investment in Property, Agricultural Assets and Equipment                                   | (1,345,796)         | (1,212,166)        |
| Proceeds from Sales of Property, Agricultural Assets and Equipment                          | 85,550              | 21,558             |
| Net Cash Used in Investing Activities   | <u>(1,260,246)</u>  | <u>(1,190,608)</u> |
| Cash Flows from Financing Activities:   |                     |                    |
| Net Repayments on Line of Credit  | -                   | (2,000,000)        |
| Proceeds of Notes Payable   | -                   | 1,500,000          |
| Principal Payments of Notes Payable   | (1,158,411)         | (786,100)          |
| Net Cash Used In Financing Activities   | <u>(1,158,411)</u>  | <u>(1,286,100)</u> |
| Net Decrease in Cash  | (8,995)             | (897,034)          |
| Cash at Beginning of Year   | 245,311             | 1,142,345          |
| Cash at End of Year   | <u>\$ 236,316</u>   | <u>\$ 245,311</u>  |
| Supplemental Cash Flow Information:   |                     |                    |
| Interest Paid   | <u>\$ 188,249</u>   | <u>\$ 215,041</u>  |
| Supplemental Non-Cash Information:  |                     |                    |
| Equipment Financed through Capital Lease  | <u>\$ 1,237,994</u> | <u>\$ -</u>        |
| Equipment financed through Notes Payable  | <u>\$ -</u>         | <u>\$ 190,958</u>  |
| See notes to financial statements   |                     |                    |

## Notes to Financial Statements December 31, 2003 and 2002

### Note 1 - Company background

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

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

PRIDE operates a variety of industries including Furniture Manufacturing, Agriculture, Digital Print Technologies, Textiles, Services, and other General Manufacturing. PRIDE receives no funding from the Legislature and is totally supported by the earnings it generates from the sale of its products. A majority of PRIDE products, except for raw agricultural products and international sales, are sold to governmental entities or their contract vendors. The majority of the sales are to state agencies.

Effective July 1, 1999, PRIDE formed Industries Training Corporation (ITC), a tax exempt organization, for the purpose of entering into relationships and managing prison work programs for PRIDE and any other tax exempt, governmental and for-profit sectors located in the state of Florida and the United States. In addition to ITC, Labor Line, Inc, Labor Line Services, Inc., and Global Outsourcing, Inc. and its wholly owned subsidiary, Northern Outfitters (ITC's affiliates) were formed to assist ITC in its mission. ITC is also a 50% owner in Florida Citrus Partners, L.L.C., (FCP). FCP utilizes inmates in the PRIDE program in various citrus processing operations. PRIDE considers ITC and its affiliates related parties.

### Note 2 - Summary of significant accounting policies

#### Basis of presentation

The accompanying financial statements have been prepared on an accrual basis. Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

#### Doubtful accounts

Accounts receivable consist of trade accounts receivable and are stated at cost less an allowance for doubtful accounts. Credit is extended to customers after an evaluation of the customer's financial condition, and generally collateral is not required. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

#### Inventories

Manufactured inventories are accounted for under the FIFO cost flow method and are stated at the lower of cost or market. Crops in process include all direct and indirect costs of growing crops but exclude planting and harvesting costs. They are stated at the lower of cost of market.

#### Property, agricultural assets and equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives ranging from 3 to 30 years on a straight-line basis. Citrus groves are depreciated over their estimated useful lives of 30 years. Sugar cane plants are depreciated over their estimated useful lives of 5 years.

#### Income taxes

PRIDE is organized as a not-for-profit corporation within the meaning of Section 501(c)(3) of the Internal Revenue Code and Chapter 617 of the Florida Statutes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.



# Notes to Financial Statements

Notes to Financial Statements - continued  
December 31, 2003 and 2002

## Note 2 - Summary of significant accounting policies - continued

### Net Assets

Under accounting principles generally accepted in the United States of America, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions and may be classified as unrestricted, temporarily restricted or permanently restricted. Based on the nature of its operations, all of PRIDE's net assets are unrestricted as they are not subject to donor-imposed stipulations.

### Self insurance plan

PRIDE's employees are provided worker's compensation, group medical and disability insurance programs, which are self-insured and administered by ITC. Insurance policies that provide both specific and aggregate coverage in excess of self-insured limits are maintained by ITC. PRIDE's obligation under these arrangements is recognized as part of its contractual arrangement with ITC.

### Reclassifications

Certain reclassifications were made to the 2002 financial statements to conform to the 2003 presentation.

## Note 3 - Inventories

Inventories at December 31, 2003 and 2002, consist of the following:

|                           | <u>2003</u>         | <u>2002</u>         |
|---------------------------|---------------------|---------------------|
| Raw material and supplies | \$ 2,622,686        | \$ 2,784,180        |
| Work in process           | 1,715,542           | 1,359,282           |
| Finished goods            | 2,072,240           | 2,365,230           |
| Crops in process          | <u>1,639,575</u>    | <u>1,410,415</u>    |
|                           | <u>\$ 8,050,043</u> | <u>\$ 7,919,107</u> |

## Note 4 - Property, agricultural assets, and equipment

Property, livestock and equipment at December 31, 2003 and 2002 consist of the following:

|                                | <u>2003</u>          | <u>2002</u>          |
|--------------------------------|----------------------|----------------------|
| Machinery and equipment        | \$ 16,361,103        | \$ 15,814,793        |
| Buildings                      | 9,623,061            | 9,623,061            |
| Office furniture and equipment | 4,165,850            | 2,994,459            |
| Leasehold improvements         | 4,930,310            | 4,817,656            |
| Citrus groves                  | 4,176,274            | 4,176,274            |
| Vehicles                       | 2,078,515            | 2,167,958            |
| Sugar cane plantings           | 1,120,999            | 1,447,027            |
| Land improvements              | 1,781,071            | 1,781,071            |
| Livestock                      | 8,509                | 22,768               |
| Construction in process        | <u>1,036,880</u>     | <u>773,859</u>       |
|                                | 45,282,572           | 43,618,925           |
| Less accumulated depreciation  | <u>(27,681,532)</u>  | <u>(25,706,930)</u>  |
|                                | <u>\$ 17,601,040</u> | <u>\$ 17,911,995</u> |



# Notes to Financial Statements

Notes to Financial Statements - continued  
December 31, 2003 and 2002

## Note 4 - Property, agricultural assets, and equipment –continued

PRIDE leases various land, buildings, and equipment from the DC. Under terms of the lease, the annual lease payment is determined as 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, 2003 and 2002 was less than zero and, accordingly, no rental payments were required.

## Note 5 - Line of credit

At December 31, 2003 and 2002, PRIDE had a \$3,000,000 unsecured revolving line of credit with a bank. An irrevocable letter of credit amounting to \$233,000 was issued to an insurer secured by the line of credit, thereby limiting its use. The line of credit bears interest at LIBOR plus 3.5% and is payable on demand. As of December 31, 2003 and 2002, \$2,750,000 was outstanding under this agreement.

## Note 6 - Notes and capital leases payable

Notes and Capital Leases payable as of December 31, 2003 and 2002, consist of the following:

|   | <u>2003</u>         | <u>2002</u>         |
|---|---------------------|---------------------|
| Mortgage note payable to a bank, interest at LIBOR plus 2.35%, matures May 2005. Monthly payments of \$11,944 principal plus interest. Secured by a manufacturing facility. | \$ 1,735,504        | \$ 1,827,500        |
| Note payable to a bank, interest at 8.75%, matures December 2006. Monthly payments of \$6,433 principal plus interest. Secured by print equipment.                          | 202,560             | 259,091             |
| Note payable to a bank, interest at LIBOR plus 2- 3.5% based on leverage ratio, matures September 2003. Monthly payments of \$100,000 principal plus interest.              | -                   | 900,000             |
| Notes payable to John Deere Credit, interest at 5.0% to 5.9%, matures June 2007. Annual payments of \$44,638 principal plus interest. Secured by Agricultural equipment.    | 140,405             | 190,946             |
| Capital leases with a finance company, interest at 9.09% to 10.58%, matures October 2007. Monthly payments of \$28,854 including interest. Secured by computer equipment.   | 1,099,426           | -                   |
| Capital lease obligation, interest at 6.99%, matures April 2008. Monthly payments of \$1,742 including interest. Secured by equipment.                                      | <u>79,225</u>       | <u>-</u>            |
|   | 3,257,120           | 3,177,537           |
| Less current installments   | <u>(515,149)</u>    | <u>(1,133,775)</u>  |
| Notes payable (less current installments)   | <u>\$ 2,741,971</u> | <u>\$ 2,043,762</u> |





# Notes to Financial Statements

Notes to Financial Statements - continued  
December 31, 2003 and 2002

## Note 6 - Notes and capital leases payable – continued

Future maturities of long-term notes and payable are as follows:

|      |                     |
|------|---------------------|
| 2004 | \$ 515,149          |
| 2005 | 1,992,895           |
| 2006 | 438,447             |
| 2007 | 303,763             |
| 2008 | <u>6,866</u>        |
|      | <u>\$ 3,257,120</u> |

Interest expense for the year ended December 31, 2003 and 2002, was \$153,896 and \$215,041, respectively.

At December 31, 2003 the Company was in violation of its loan covenants relating to minimum net worth. Management obtained a waiver from the bank relinquishing their right to remedies related to this violation for a period of at least one year from the date of these financial statements.

## Note 7 - Commitments and contingencies

### Litigation Contingencies

PRIDE is subject to a number of 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. In the opinion of management, no material liability exists with respect to these actions.

### Remediation Contingencies

PRIDE accrues for losses associated with remediation obligations when such losses are probable and reasonably estimable. Accruals for losses from remediation obligations generally are recognized no later than completion of the remedial feasibility study.

PRIDE is responsible for remediation at one of its agricultural operations as a result of tests conducted by a consultant and remediation firm. PRIDE has estimated the net remediation contingencies (net of DC reimbursement for one half of the remediation expenses) at December 31, 2003 and 2002, to be approximately \$280,000. The remediation activity began prior to June 30, 1999. Subject to the difficulty of estimating future costs, management expects that any sum PRIDE may be required to pay in connection with matters in excess of the amounts recorded and disclosed above will not have a material adverse effect on its financial condition or results of operations. No additional expenses were incurred during the years ended December 31, 2003 and 2002.

### Lease Obligations

PRIDE is obligated under several noncancelable lease agreements for office and warehouse space, and various equipment leases, which expire at various dates over the next three years.

The balance sheets include the following assets capitalized under leases:

|  | <u>2003</u>         | <u>2002</u> |
|--|---------------------|-------------|
| Property Leased Under Capital Leases     | \$ 1,250,501        | \$ -        |
| Accumulated Depreciation                 | <u>(1,550)</u>      | <u>-</u>    |
| Net Property Leased Under Capital Leases | <u>\$ 1,248,951</u> | <u>\$ -</u> |



# Notes to Financial Statements

Notes to Financial Statements - continued  
December 31, 2003 and 2002

## Note 7 - Commitments and contingencies—continued

Future minimum lease payments under noncancelable capital and operating leases at December 31, 2003 are as follows:

|                      | Capital Leases      | Operating Leases  |
|----------------------|---------------------|-------------------|
| 2004                 | \$ 367,148          | \$ 575,491        |
| 2005                 | 367,148             | 355,910           |
| 2006                 | 367,148             | 29,924            |
| 2007                 | 309,440             | -                 |
| 2008                 | <u>6,966</u>        | <u>-</u>          |
|                      | 1,417,850           | <u>\$ 961,325</u> |
| Less interest        | <u>(239,199)</u>    |                   |
| Present Value of net |                     |                   |
| minimum rentals      | <u>\$ 1,178,651</u> |                   |

Rental expense for all operating leases during the years ended December 31, 2003 and 2002 amounted to \$1,343,247 and \$1,308,516, respectively.

## Note 8 - Benefit plans

PRIDE's employees are provided employee benefits under plans administered by its affiliated organization, ITC. These plans include a defined benefit pension plan, a 403(b) and 401 (k) savings plan. PRIDE recognizes its obligation under these plans as part of its contractual payments to ITC under its management agreement (Note 12). During the year ended December 31, 2003, PRIDE recognized an additional obligation to ITC amounting to \$4,106,546. This obligation relates to the fact that for the years ended December 31, 2003 and 2002, the defined benefit pension plan was underfunded due to market losses and changes in actuarial assumptions. The obligation represents PRIDE's share of the additional pension expense incurred by ITC. It was actuarially determined based on the participation of PRIDE employees in the plan. PRIDE employees account for approximately 93% of the total obligation. It was recognized by reducing PRIDE's receivable from ITC (Note 12). The ITC receivable was reduced by an additional \$218,000 representing PRIDE's share of expense under a non-qualified executive benefit plan maintained by ITC.

### Defined benefit pension plan

The defined benefit pension plan covered substantially all full-time employees. Benefits to participants are based on years of service and the highest consecutive five-year average earnings during the last ten years of credited service prior to retirement. The Plan is funded through employer contributions to meet ERISA minimum funding requirements. The majority of the Plan's assets are invested in a master trust. The trust's investments are primarily US Treasury notes and corporate common stocks at December 31, 2003 and 2002, respectively. At December 31, 2003 and 2002, the trust's investments are primarily US Treasury notes and corporate common stocks. ITC's pension expense totaled approximately \$1,706,000 and \$2,193,000 for the years ended December 2003 and 2002, respectively. The Plan's assets were less than projected benefits by approximately \$7,567,901 and \$5,904,285 at December 31, 2003 and 2002, respectively. The Plan's status is reported in and assets are recognized on the consolidated financial statements of ITC. Participation in this plan is frozen.

An analysis of ITC's plan's benefit obligations and fair value of plan asset for the year ended December 31, 2003, and a statement of the plan's funded status as of December 31, 2003 follows:

| <u>Analysis of Benefit Obligation</u>    |                     |
|--|---------------------|
| Benefit obligation at end of year        | \$ 18,277,855       |
| Fair value of plan assets at end of year | <u>10,709,954</u>   |
| Funded status at end of year             | <u>\$ 7,567,901</u> |



# Notes to Financial Statements

Notes to Financial Statements - continued  
December 31, 2003 and 2002

## Note 8 - Benefit plans—continued

| <u>Funded Status</u>                      |                       |
|---|-----------------------|
| Funded status at end of year              | \$ (7,567,901)        |
| Unrecognized prior service cost           | 331,336               |
| Unrecognized loss                         | 1,822,162             |
| Net amount recognized as liability in ITC | <u>\$ (5,414,403)</u> |

## 403(b) and 401(k) Savings Plans

In addition to the above defined benefit pension plan, PRIDE's employees had an option at any time during full-time employment to participate in the 403 (b) Savings Plan specifically designed for non-profit organizations. Participants of this program were able to contribute up to 20% of their annual salary (pre-tax) to a maximum of \$10,000. The Company used to match the first 4% at a rate of \$0.25 for each dollar contributed. Employees can invest their tax-deferred contributions in a variety of mutual funds. This plan was frozen on December 31, 2000.

Effective January 1, 2001, PRIDE employees now have an option at any time during full-time employment to participate in the 401 (k) Savings Plan. Participants of this program can contribute up to 8% of their annual salary (pre-tax) to the maximum allowable by law, which was \$12,000 in 2003. The Company matches the first 4% at a rate of \$0.25 for each dollar contributed. Employees hired prior to February 1, 2000, who opted out of the defined benefit pension plan, receive, annually, a profit sharing contribution of 4.5%. The Company, at its discretion, may make contributions in excess of this amount. Employees can invest their tax-deferred contributions in a variety of mutual funds.

## Note 9 - Compensation plan for inmates

The legislative act, which authorized PRIDE to manage the state's prison industries, also required that an inmate compensation plan be established. This plan provides for payments to DC, which credits the account of an inmate performing labor, and provides for payment to DC for reimbursing the state for all or a portion of the expenses incurred for sustaining the inmate.

The compensation plan expenses totaled \$1,666,623 and \$1,541,077 for the years ended December 31, 2003 and 2002, respectively, and are accounted for as a component of cost of sales.

## Note 10 - Program support

PRIDE has certain programs that are unique to its legislated mission. Expenses related to program support are treated as a period expense and include the following:

### Inmate services

Expenses for inmate services represent assistance to PRIDE inmate workers to acquire job skills while in prison and find gainful employment upon release. Such expenditures include education, training and post-release job placement support.

### Victim restitution fund

Payments represent PRIDE's contribution of an additional 15 cents for every dollar of inmate compensation to provide for victim restitution.



# Notes to Financial Statements

## Notes to Financial Statements - continued December 31, 2003 and 2002

### Note 11 – Discontinued operations

Effective October 1, 2001 the Board of Directors authorized the closure of the food manufacturing and poultry business segments. This enabled the Company to return to profitability on an operating basis in 2002.

The results of operations for the aforementioned business segments for the respective periods presented are reported as a component of discontinued operations in the statements of operations and changes in net assets.

Summarized results of operations for the food manufacturing business segment are as follows:

|   | 2003 | 2002       |
|---|------|------------|
| Net Sales                                   | \$ - | -          |
| Profit from discontinued operations         | \$ - | -          |
| Gain on disposal of discontinued operations | \$ - | \$ 365,444 |

Summarized results of operations for the poultry business segment are as follows:

|   | 2003 | 2002       |
|---|------|------------|
| Net Sales                                   | \$ - | \$ -       |
| Loss from discontinued operations           | \$ - | \$ -       |
| Gain on disposal of discontinued operations | \$ - | \$ 450,000 |

### Note 12 - Related party transactions

In prior years and during the year ended December 31, 2002, PRIDE advanced funds to ITC to fund certain specific initiatives. During 2002, PRIDE and ITC concluded that ITC would not benefit from these initiatives as PRIDE had assumed responsibility for administering them. As a result, it was agreed that PRIDE would assume the initial and the majority of the operational costs of these initiatives. Management identified these initiatives, isolated the costs and adjusted the amount due from ITC. Accordingly, the amount due from ITC was reduced by \$5,279,190.

PRIDE has advanced funds to ITC and FCP for working capital purposes. Currently, there are no stated terms for repayment.

However, PRIDE and ITC are in the process of formalizing repayment terms. The amounts are shown as current and long term based on management's anticipated manner of payment. The amount due from ITC is \$1,903,024 at December 31, 2003 and \$7,410,860 at December 31, 2002. The 2003 balance was reduced due to PRIDE's pension obligations to ITC (see Note 8).

The amount due from FCP is \$3,448,435 at December 31, 2003 and \$2,400,028 at December 31, 2002. FCP, as a business unit, is currently winding down operations. Those operations are essentially being transferred to a business unit of ITC. ITC is committed to assist with the retirement of amounts owed to PRIDE by FCP. ITC intends to do so from future business operations and activities. In addition, PRIDE has a security interest in equipment used by FCP which may be recovered to satisfy part of this obligation. The amounts are shown as current and long term based on management's anticipated manner of payment.

During the years ended December 31, 2003 and 2002, PRIDE made payments of \$6,639,053 and \$6,246,744, respectively, to ITC for accounting, systems and administrative support.

During 2002, PRIDE utilized the transportation and trucking services of a company to distribute products to customers. An officer of this company was appointed to PRIDE's Board of Directors subsequent to the commencement of this relationship with PRIDE. This individual's term expired during 2002. Payments made to this company were approximately \$642,000 for the year ended December 31, 2002.



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
Prison Rehabilitative Industries  
and Diversified Enterprises, Inc.  
St. Petersburg, Florida

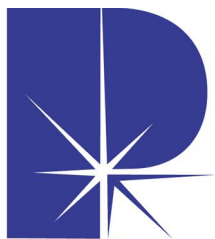
We have audited the accompanying balance sheets of Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) as of December 31, 2003 and 2002, and the related statements of operations and program support and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of PRIDE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRIDE as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Cherry Bekaert & Holland, L.L.P.*

St. Petersburg, Florida  
April 2, 2004



**PRIDE**  
ENTERPRISES

**PRIDE Enterprises**

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