



**DEPARTMENT  
OF CORRECTIONS**  
MINNCOR INDUSTRIES

FY20  
Annual Report

MINNCOR Industries is a program of the Minnesota Department of Corrections which provides incarcerated individuals job skills training to support positive behavior and successful transition into the community, at no cost to taxpayers.

We transform lives for community success and safety.



# A Message from our CEO

Dear Friends and Stakeholders of MINNCOR Industries:

This year started out quite differently than it ended. We began with a new sense of optimism and ended in a pandemic. This did deter in way, the hard work and dedication of our team. In fact, I would say everyone rose to the occasion and pivoted quickly when necessary.

As I met each of the industry employees in one-on-one meetings, I quickly learned that people are truly dedicated to our mission and believe the programming we provide is beneficial to our program participants. People share ideas and suggestions to make our program better and to be more efficient.

During the first half of year we opened a retail endeavor to highlight the creativity of our incarcerated population. We also changed the make-up of our Advisory Board to include external stakeholders, including formally incarcerated people.

The second half of the year the pandemic hit. This had a dramatic impact on our operations. Shops had to figure out how to socially distance and keep getting work accomplished, we began producing personal protective equipment, we managed the agency critical inventory, and staff from our central office began working from home.

Our financial situation ended with a loss for the second year in a row. This meant some difficult decisions had to be made. Unfortunately, we had to end the EMPLOY Program and plan to leave any vacant positions unfilled to save money. We are optimistic these changes will result in a very small profit for the next fiscal year.

Even with the ups and downs during this year, our entire team worked hard and kept pushing forward. This is truly due to their dedication to our work and program, and for that I am grateful!

Lisa Wojcik  
Chief Executive Officer  
1994 - 2019 | MINNCOR Industries  
Celebrating 25 Years of Transformation  
25 Years of Transformation

# VISION

Transforming lives for community success and safety.

# MISSION

Provide offenders job skills training to support positive behavior and successful transition into the community, at no cost to taxpayers.

# LEADERSHIP TRAITS

## Respect

We treat others as we would like to be treated. We look and listen to those around us and do the right thing for ourselves, our coworkers, and our community.

## Integrity

We act with integrity in the work that we do, the people we interact with, and in the decisions that we make. We are accountable to one another and to those whom we serve.

## Genuine

We believe in being true to ourselves and the work we do. We do what we say we are going to do and we say what we mean. We are consistent.

## Honesty

We believe that honesty is the foundation for trust. Honesty produces actions and is the best policy for our work. We speak the truth and accept consequences if they arise.

## Tactful Communication

We strive to have an understanding of the people we are with, the words we use, the issues that occur, and the situations we encounter.

# FY20 In-Review



## July 2019

MINNCOR introduces a new website.

EMPLOY hosted a job fair for the women of Shakopee. Approximately 75 incarcerated women were in attendance and several women were offered conditional employment after release.



## August 2019

MINNCOR receives ACA Accreditation

Sustainably Green Chemical products were launched.

## September 2019

A new program for quick ship chairs was coordinated and launched with Moose Lake.

A new training curriculum for Bridge participants to better prepare them for the employment world was created and implemented.



## October 2019

MINNCOR Celebrates its 25th Anniversary with an event.

Making Things Right holds its first event at the 25th Anniversary Celebration.



## November 2019

MINNCOR representatives attended multiple trade shows and conferences, including the Minneosta Council of Nonprofits, Minnesota Corrections Association, and the Upper Midwest Association of Colleges and Universities, showcasing the many different product lines.

# FY20 In-Review



## December 2019

Thirteen Bridge participants accomplished a high profile, Swiss Army project, delegated by a Fortune 500 company. They needed to package over 4600 welcome kits to be sent domestically in the United States and internationally to 17 countries.

## January 2020

A new MINNCOR Advisory Board was developed to include external stakeholders and formally incarcerated people.



## March 2020

MINNCOR began sewing and offering Personal Protective Equipment (PPE) to the Minnesota DOC and other customers.

BRIDGE manages critical inventory for agency during pandemic.



## April 2020

To better serve customers and account managers, new product literature was designed

## June 2020

Faribault Industry collaborated with Feed My Starving Children and developed a linear station to pack meals for those in need.

All CDC guidelines were followed and extra safety measures enforced, including extra sanitation of equipment, masks and glove wearing.

# MINNCOR in the News



## WCCO December 2019 | Making Things Right this Holiday Season

WCCO news broadcast station visited the MINNCOR Industries sewing shop at the Minnesota Correctional Facility-Shakopee where they had the opportunity to interview MINNCOR's CERO Lisa Wojcik on the success of the retail store. They also interviewed a currently incarcerated female and had the opportunity to hear why she participates in MINNCOR's Making Things Right retail store.



## NCIA News Winter 2019 | MINNCOR Celebrates 25 Years

MINNCOR Industries celebrated 25 years since being centralized into a single statewide program. On October 1, 2019, MINNCOR invited current and past customers, members of the public, staff from the Minnesota Department of Corrections, and former Chief Executive Officers to its grand celebration.



## NCIA News Winter 2019 | MINNCOR EMPLOY Hosts Job Fair for Women Being Released from Shakopee

MINNCOR EMPLOY, along with the Minnesota Correctional Facility in Shakopee and the Minnesota Department of Employment and Economic Development (DEED), organized and hosted a job fair for the women of the Shakopee Prison on July 23, 2019. Employers from various industries were present to speak with 75 potential candidates and offered information about their companies. Some company representatives even conducted on-site interviews in advance of the women's release.



## NCIA News Spring 2020 | Motivation from Within: How MINNCOR's Moose Lake Industries Develops for Success

MINNCOR is committed to promoting reentry and reducing recidivism by providing incarcerated individuals the opportunity to gain real-world work experience and skills to encourage positive behavior that will lead to meaningful employment opportunities. Industry managers and staff of the Print, Garment, and Upholstery Shops display a passion to serve as mentors for incarcerated individuals. Values and expectations of dependability, resourcefulness, accountability, flexibility, and thoroughness are taught right from the start. MINNCOR staff at Moose Lake ensure that these quality traits are upheld and modeled through their own actions.



# 'Making Things Right'

The MINNCOR Pop Up Store  
Featuring items made by incarcerated men and women

Making Things Right, MINNCOR's first retail store, was launched on October 1, 2019 after the Minnesota Department of Corrections staff saw examples of these stores in other states and countries. The MINNCOR store came to into being from the creative energies of MINNCOR and DOC staff. In their personal travels, these employees came across a similar model in other states and another country.

The store allows incarcerated men and women to demonstrate creativity through learned skills in printing technology, commercial upholstery, garment manufacturing, career technical woodworking, educational art programming and more. Staff are continually seeking new ways to provide educational opportunities for our workforce. The energy around this initiative allows for everyone to be a part of the big picture of giving back and contributing to a safer Minnesota.

Currently, products are being made in MINNCOR shops at MCF-Moose Lake, MCF-Shakopee, MCF-Faribault, in career-tech programs at MCF-Faribault and MCF-Moose Lake, and we are receiving artwork from MCF-Saint Cloud. Available products include bags, backpacks, clear totes and pouches, sketch books, coloring books, greeting cards, fleece hats and mittens, mouse pads, serving trays, birdhouses, and an array of artwork.

The incarcerated individuals who are on assignment for the retail store have gained valuable skills that will help them find employment post-release. Some participants have stated they have learned how to better communicate with different personalities in the shop, have enjoyed the additional responsibilities and assignment tasks, and they appreciate hearing customer feedback about the quality of the products they make. Below are events in FY20.



Kick-off Event held at MINCOR' 25th Anniversary Celebration



MCA and MNCN Fall Conferences 10.23.19-10.25.19



Poverty Conference Event in St. Paul 11.7.19



Offender Family and Friends Event 12.3.19



Gethsemane Lutherane Church Pop-Up event 12.8.19



WCCO Shakopee feature with an interview 12.16.19



DOC Academy and Facility events \*multiple dates\*



DOC Central Office showcase event 3.11.20





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MINNCOR EMPLOY

MINNCOR-EMPLOY was an employment readiness program whose primary goal was to focus on the skills and abilities of each participant and to provide incarcerated individuals job skills training to support positive behavior and successful transition into the community, at no cost to taxpayers. The Program transformed lives for community success and safety. Due to budgetary cuts the program was discontinued after the completion of Fiscal Year 2020.

Below are highlights from each quarter.

Quarter One (July 19 - September 19):

Active Participants = 944 (742 incarcerated, 202 released)

Of the 202 released, 158 participants were working (78% employment rate)

Overall Employment Rate = 72%

\*\*Two participants were dropped\*\*

Quarter Two (October 19 - December 19):

Active Participants = 981 (782 incarcerated, 199 released)

Of the 199 released, 155 participants were working (78% employment rate)

Overall Employment Rate = 79%

\*\*Seventy-Seven participants were dropped\*\*

Quarter Three (January 20 - March 20):

Active Participants = 1012 (796 incarcerated, 216 released)

Of the 216 released, 159 participants were working (74% employment rate)

Overall Employment Rate = 76%

\*\*Ninety-Three participants were dropped\*\*

Quarter Four (April 20 - June 20):

Active Participants = 938 (731 incarcerated, 207 released)

Of the 207 released, 136 participants were working (66% employment rate)

Overall Employment Rate = 70%

\*\*Sixty-Four participants were dropped\*\*

Overall

523 Participants were added in to the Program

Employment Rate = 76%.

# FY20 Financial Review\*

## Statement of Net Position (in thousands)

	FY20 MINNESOTA CORRECTIONAL INDUSTRIES	FY19 MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS		
Current Assets:		
Cash and Cash Equivalents .....	\$ 10,525	\$ 12,921
Accounts Receivable .....	5,854	5,131
Interfund Receivables .....	—	—
Inventories .....	6,472	6,513
Prepaid Expenses .....	—	—
Total Current Assets .....	<u>\$ 22,851</u>	<u>\$ 24,565</u>
Noncurrent Assets:		
Accounts Receivable .....	\$ —	\$ —
Depreciable Capital Assets (Net) .....	5,985	6,625
Nondepreciable Capital Assets .....	938	—
Total Noncurrent Assets .....	<u>\$ 6,923</u>	<u>\$ 6,625</u>
Total Assets .....	<u>\$ 29,774</u>	<u>\$ 31,190</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows .....	\$ 6,531	\$ 10,531
Deferred Other Postemployment Benefits Outflows .....	106	88
Total Deferred Outflows of Resources .....	<u>\$ 6,637</u>	<u>\$ 10,619</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable .....	\$ 3,439	\$ 1,554
Interfund Payables .....	—	—
Due to Component Units .....	—	—
Unearned Revenue .....	—	—
Accrued Interest Payable .....	—	—
Bonds and Notes Payable .....	—	—
Claims Payable .....	—	—
Compensated Absences Payable .....	177	180
Other Liabilities .....	—	—
Total Current Liabilities .....	<u>\$ 3,616</u>	<u>\$ 1,734</u>
Noncurrent Liabilities:		
Unearned Revenues .....	\$ —	\$ —
Bonds and Notes Payable .....	—	—
Compensated Absences Payable .....	1,190	1,152
Other Postemployment Benefits .....	1,076	1,237
Net Pension Liability .....	10,545	9,424
Total Noncurrent Liabilities .....	<u>\$ 12,811</u>	<u>\$ 11,813</u>
Total Liabilities .....	<u>\$ 16,427</u>	<u>\$ 13,547</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows .....	\$ 15,800	\$ 20,587
Deferred Other Postemployment Benefits Inflows .....	119	139
Total Deferred Inflows of Resources .....	<u>\$ 15,919</u>	<u>\$ 20,726</u>
NET POSITION		
Net Investment in Capital Assets .....	\$ 6,923	\$ 6,625
Restricted for:		
Develop Economy and Workforce .....	\$ —	\$ —
Enhance 911 Services and Increase Safety .....	—	911
Other Purposes .....	—	—
Total Restricted .....	<u>\$ —</u>	<u>\$ 911</u>
Unrestricted .....	<u>\$ (2,858)</u>	<u>\$ —</u>
Total Net Position .....	<u>\$ 4,065</u>	<u>\$ 7,536</u>

# FY20 Financial Review\*

## Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	FY20	FY19
	MINNESOTA CORRECTIONAL INDUSTRIES	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:		
Net Sales.....	\$ 42,435	\$ 44,988
Insurance Premiums.....	—	—
Other Income.....	2,610	3,598
Total Operating Revenues.....	\$ 45,045	\$ 48,586
Less: Cost of Goods Sold.....	24,697	28,669
Gross Margin.....	\$ 20,348	\$ 19,917
Operating Expenses:		
Purchased Services.....	\$ 4,873	\$ 5,230
Salaries and Fringe Benefits.....	15,099	(1,587)
Claims.....	—	—
Depreciation and Amortization.....	1,158	1,245
Supplies and Materials.....	935	—
Repairs and Maintenance.....	451	199
Indirect Costs.....	1,455	1,959
Other Expenses.....	53	56
Total Operating Expenses.....	\$ 24,024	\$ 7,102
Operating Income (Loss).....	\$ (3,676)	\$ 12,815
Nonoperating Revenues (Expenses):		
Investment Income.....	\$ 222	\$ 262
Other Nonoperating Revenues.....	—	—
Interest and Financing Costs.....	—	—
Grants, Aids and Subsidies.....	—	—
Other Nonoperating Expenses.....	—	—
Gain (Loss) on Disposal of Capital Assets.....	(17)	—
Total Nonoperating Revenues (Expenses).....	\$ 205	\$ 262
Income (Loss) Before Transfers and Contributions.....	\$ (3,471)	\$ 13,077
Transfers-In.....	—	—
Transfers-Out.....	—	—
Total Income (Loss).....	\$ (3,471)	\$ 13,077
Net Position, Beginning, as Reported.....	\$ 7,536	\$ (5,541)
Net Position, Ending.....	\$ 4,065	\$ 7,536

# FY20 Financial Review\*

## Statement of Cash Flows (in thousands)

	FY20 MINNESOTA CORRECTIONAL INDUSTRIES	FY19 MINNESOTA CORRECTIONAL INDUSTRIES
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customers.....	\$ 41,712	\$ 47,882
Receipts from Other Revenues.....	2,610	3,598
Payments to Claimants.....	—	—
Payments to Suppliers.....	(30,538)	(36,771)
Payments to Employees.....	(14,929)	(14,136)
Payments to Others.....	—	—
Net Cash Flows from Operating Activities.....	<u>\$ (1,145)</u>	<u>\$ 573</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Grant Disbursements.....	\$ —	\$ —
Transfers-In.....	—	—
Transfers-Out.....	—	—
Net Cash Flows from Noncapital Financing Activities.....	<u>\$ —</u>	<u>\$ —</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Investment in Capital Assets.....	\$ (1,473)	\$ (590)
Proceeds from Disposal of Capital Assets.....	—	—
Repayment of Bond Principal.....	—	—
Interest Paid.....	—	—
Net Cash Flows from Capital and Related Financing Activities.....	<u>\$ (1,473)</u>	<u>\$ (590)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment Earnings.....	\$ 222	\$ 262
Net Cash Flows from Investing Activities.....	<u>\$ 222</u>	<u>\$ 262</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	<u>\$ (2,396)</u>	<u>\$ 245</u>
Cash and Cash Equivalents, Beginning, as Reported.....	<u>\$ 12,921</u>	<u>\$ 12,676</u>
Cash and Cash Equivalents, Ending.....	<u><u>\$ 10,525</u></u>	<u><u>\$ 12,921</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>		
Operating Income (Loss).....	<u>\$ (3,676)</u>	<u>\$ 12,815</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:</b>		
Depreciation and Amortization.....	\$ 1,158	\$ 1,245
Miscellaneous Nonoperating Revenues.....	—	—
Miscellaneous Nonoperating Expenses.....	—	—
<b>Change in Assets, Liabilities, Deferred Outflows and Inflows:</b>		
Accounts Receivable.....	(723)	2,894
Inventories.....	41	352
Other Assets.....	—	—
Deferred Outflows.....	3,982	9,284
Accounts Payable.....	1,885	(1,010)
Claims Payable.....	—	—
Compensated Absences Payable.....	35	(78)
Unearned Revenues.....	—	—
Other Postemployment Benefits.....	(161)	(3,016)
Net Pension Liability.....	1,121	(30,860)
Deferred Inflows.....	(4,807)	8,947
Net Reconciling Items to be Added to (Deducted from) Operating Income.....	<u>\$ 2,531</u>	<u>\$ (12,242)</u>
Net Cash Flows from Operating Activities.....	<u><u>\$ (1,145)</u></u>	<u><u>\$ 573</u></u>
<b>Noncash Investing, Capital and Financing Activities:</b>		
Bond Premium Amortization.....	\$ —	\$ —

# Notes on the Financial Statements

## **NOTE 1: NATURE OF THE BUSINESS**

MINNCOR, as a division of the Minnesota Department of Corrections, develops and markets premium products and services to various markets and industries.

In addition, MINNCOR will provide contract-manufacturing services to companies to fulfill their manufacturing needs. MINNCOR Industries strives to provide a safe working environment within the prison system and successfully transition incarcerated individuals into the community at no cost to taxpayers. MINNCOR's vision is a customer-driven business model that contributes to a safer Minnesota by providing sound management, quality products, reduction of incarcerated persons idleness, transition services, and work skills' training that prepare individuals for release into the community.

MINNCOR operates through a State Enterprise fund, which is a set of self-balancing accounts comprised of assets, liabilities, equities, revenues and expenses. Beginning with Fiscal Year 2003, MINNCOR has continued to be self-sufficient receiving no appropriations, grants or subsidies from the State of Minnesota, or the Department of Corrections.

\*\*MINNCOR was effected by to COVID-19

## **NOTE 2: SUMMARIES OF SIGNIFICANT PRINCIPLES**

### **Principles of Consolidation**

The consolidated financial statements include the accounts of all the individual business units. All intercompany transactions and profits are eliminated in the consolidation.

### **Cash and Cash Equivalents**

Cash and Cash equivalents are invested by Minnesota Management and Budget and State Board of Investments.

### **Inventory Valuations**

Inventories are valued at a Weighted Average Cost.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation and amortization is charged to operations and respective business units using the straight-line method over the assets estimated useful lives, ranging from 20 years for buildings, to 3 – 10 years for machinery and equipment and vehicles.

Expenditures for repairs and maintenance are charged to expense, as incurred. Expenditures for major renewals and betterments which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related depreciation are removed from the accounts and any resulting gain or loss is recognized in income.

### **Revenue Recognition**

MINNCOR recognizes revenue as services are performed, or on product sales at the time of shipping.

## **NOTE 3: COMPENSATING ABSENCES**

The liability of the employee's rights to receive compensation for future absences when certain conditions are met has been accrued and recognized in the financial statements according to the Governmental Accounting Standards Board (GASB) Statement Number 16.

Compensated absences are classified as current and non-current. Actuarial determined percentages determine what portion of the liability is current.

For Fiscal Year 20, MINNCOR's current Compensated Absence balance was \$177 thousand, and the noncurrent Compensated Absence balance was \$1.2 million.

## **NOTE 4: SIGNIFANCT ACCOUNT VARIANCES**

In Fiscal Year 20 MINNCOR paid \$3.0 million in DOC Expenses not related to MINNCOR activities. These DOC expenses incurred include re-entry/transition program costs, education costs for incarcerated persons and facility improvements.

In Fiscal Year 20 MINNCOR had a \$10.5 million net pension liability, a \$6.5 million Deferred Pension Outflow and \$15.8 million Deferred Pension Inflow, based on MMB Analysis and GASB 68.