



DEPARTMENT
OF CORRECTIONS
MINNCOR INDUSTRIES

REPORT 21

FISCAL
YEAR 2021
ANNUAL
REPORT

Providing incarcerated individuals job skills training to support successful transition into the community, at no cost to taxpayers.

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ABOUT US

MISSION Statement

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

VISION Statement

Transforming lives for community success and safety.

Value Proposition

MINNCOR Industries helps you transform your business model to compete more effectively in today's marketplace by becoming your indispensable growth partner.

Strategic Goals

MINNCOR Industries is committed to benefiting the State of Minnesota's economy and safety by requiring no state funding and reducing recidivism. Maintaining a balance of offender employment and financial self-sufficiency through diverse business units, MINNCOR benefits the Minnesota correctional facilities, offenders, businesses, and communities.

Relentless monitoring of financial performance will ensure our on-going success. Focusing on customer needs, MINNCOR will continue to offer quality products and services. MINNCOR will also continue to provide work skills training for offenders and support finding employment following release so they can become productive, contributing citizens.

MINNCOR LEADERSHIP



LISA WOJCIK

CHIEF EXECUTIVE OFFICER



JEFF LONSKY

VICE PRESIDENT



RADHIKA PAGE

FINANCE MANAGER

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER:

The fiscal year began with the global pandemic still in play which greatly impacted our program. The agency continued to see COVID breakouts at all facilities with industry operations at one time or another. We had program shut downs multiple times with varying time frames which had programmatic and financial ramifications. We strived to keep our partnerships with external organizations in tact and several shops had employees working extended hours to accommodate the work needing completion. Our program served as keepers of the agency critical inventory supply and distribution which was essential work during the pandemic.

The extremely dedicated staff of the industry program is what kept all operations moving forward. Everyone stepped up when needed even if this meant temporarily working at another location and working overtime. The incarcerated population also participated at high levels when needed. It is hard to put into words how proud I am of each and every person working in our industry program!

FINANCIAL STATEMENTS

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**Financial Data provided by Minnesota Management and Budget*
<https://mn.gov/mmb/accounting/reports/annual-comprehensive-financial-report.jsp>

STATEMENT OF NET POSITION

(IN THOUSANDS)

ASSETS	FY21	FY20
Current Assets:		
Cash and Cash Equivalents	13,808	10,525
Accounts Receivable	8,519	5,854
Interfund Receivables	--	--
Inventories	6,296	6,472
Prepaid Expenses	--	--
Total Current Assets	<u>28,623</u>	<u>22,851</u>
Noncurrent Assets:		
Accounts Receivable	--	--
Depreciable Capital Assets (Net)	4,893	5,985
Nondepreciable Capital Assets	371	938
Total Noncurrent Assets	<u>5,264</u>	<u>6,923</u>
Total Assets	<u>33,887</u>	<u>29,774</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	1,813	6,531
Deferred Other Postemployment Benefits Outflows	<u>1,013</u>	<u>106</u>
Total Deferred Outflows of Resources	<u>2,826</u>	<u>6,637</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,441	3,439
Interfund Payables	--	--
Unearned Revenue	--	--
Claims Payable	--	--
Compensated Absences Payable	160	177
Total Current Liabilities	<u>4,601</u>	<u>3,616</u>
Noncurrent Liabilities:		
Unearned Revenues	--	--
Compensated Absences Payable	947	1,190
Other Postemployment Benefits	6,003	1,076
Net Pension Liability	11,018	10,545
Total Noncurrent Liabilities	<u>17,968</u>	<u>12,811</u>
Total Liabilities	<u>22,569</u>	<u>16,427</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	9,176	15,800
Deferred Other Postemployment Benefits Inflows	<u>973</u>	<u>119</u>
Total Deferred Inflows of Resources	<u>10,149</u>	<u>15,919</u>
NET POSITION		
Net Investment in Capital Assets	<u>5,264</u>	<u>6,923</u>
Restricted for:		
Develop Economy and Workforce	--	--
Enhance 911 Services and Increase Safety	--	--
Other Purposes	--	--
Total Restricted	--	--
Unrestricted	<u>(1,269)</u>	<u>(2,858)</u>
Total Net Position	<u>3,995</u>	<u>4,065</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(IN THOUSANDS)

OPERATING REVENUES:	FY21	FY20
Net Sales \$	43,181	42,435
Insurance Premiums	--	--
Other Income	<u>2,472</u>	<u>2,610</u>
Total Operating Revenues \$	45,653	45,045
Less: Cost of Goods Sold	<u>24,411</u>	<u>24,697</u>
Gross Margin \$	<u>21,242</u>	<u>20,348</u>
OPERATING EXPENSES:		
Purchased Services \$	2,528	4,873
Salaries and Fringe Benefits	15,476	15,099
Claims	--	--
Depreciation and Amortization	1,155	1,158
Supplies and Materials	--	935
Repairs and Maintenance	160	451
Indirect Costs	1,477	1,455
Other Expenses	--	<u>53</u>
Total Operating Expenses \$	<u>20,796</u>	<u>24,024</u>
Operating Income (Loss) \$	<u>446</u>	<u>(3,676)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income \$	51	222
Other Nonoperating Revenues	--	--
Interest and Financing Costs	--	--
Grants, Aids and Subsidies	--	--
Other Nonoperating Expenses	--	--
Gain (Loss) on Disposal of Capital Assets	--	<u>(17)</u>
Total Nonoperating Revenues (Expenses) \$	<u>51</u>	<u>205</u>
Income (Loss) Before Transfers and Contributions \$	497	(3,471)
Transfers-In	--	--
Transfers-Out	<u>(567)</u>	--
Change in Net Position \$	<u>(70)</u>	<u>(3,471)</u>
Net Position, Beginning, as Reported \$	<u>4,065</u>	<u>7,536</u>
Net Position, Ending \$	<u>3,995</u>	<u>4,065</u>

STATEMENT OF CASH FLOWS

(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:	FY21	FY20
Receipts from Customers	40,516	41,712
Receipts from Other Revenues	2,472	2,610
Payments to Claimants	--	--
Payments to Suppliers	(27,398)	(30,538)
Payments to Employees	(12,295)	(14,929)
Payments to Others	=	=
Net Cash Flows from Operating Activities	<u>3,295</u>	<u>(1,145)</u>
Cash Flows from Noncapital Financing Activities:		
Grant Disbursements	--	--
Transfers-In	--	--
Transfers-Out	=	=
Net Cash Flows from Noncapital Financing Activities	=	=
Cash Flows from Capital and Related Financing Activities:		
Investment in Capital Assets	(88)	(1,473)
Proceeds from Disposal of Capital Assets	25	--
Repayment of Bond Principal	--	--
Interest Paid	=	=
Net Cash Flows from Capital and Related Financing Activities	<u>(63)</u>	<u>(1,473)</u>
Cash Flows from Investing Activities:		
Investment Earnings	51	222
Net Cash Flows from Investing Activities	51	222
Net Increase (Decrease) in Cash and Cash Equivalents	3,283	(2,396)
Cash and Cash Equivalents, Beginning, as Reported	10,525	12,921
Cash and Cash Equivalents, Ending	<u>13,808</u>	<u>10,525</u>
 Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	446	(3,676)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	1,155	1,158
Miscellaneous Nonoperating Revenues	--	--
Miscellaneous Nonoperating Expenses	--	--
Change in Assets, Liabilities, Deferred Outflows and Inflows:		
Accounts Receivable	(2,665)	(723)
Inventories	176	41
Other Assets	--	--
Deferred Outflows	3,811	3,982
Accounts Payable	1,002	1,885
Claims Payable	--	--
Compensated Absences Payable	(260)	35
Unearned Revenues	--	--
Other Postemployment Benefits	4,927	(161)
Net Pension Liability	473	1121
Deferred Inflows	<u>(45,770)</u>	<u>(4,807)</u>
Net Reconciling Items to be Added to (Deducted from) Operating Income	<u>2,849</u>	<u>2,531</u>
Net Cash Flows from Operating Activities	<u>3,295</u>	<u>(1,145)</u>
 Noncash Investing, Capital and Financing Activities:		
Capital Assets Transferred Out	567	--
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 offenders 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 inmate idleness, offender transition services, and work skills' training that prepare offenders 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 21, MINNCOR's current Compensated Absence balance was \$160 thousand, and the noncurrent Compensated Absence balance was \$947 thousand.

NOTE 4: SIGNIFICANT ACCOUNT VARIANCES

In Fiscal Year 21 MINNCOR had a \$11.0 million net pension liability, a \$1.8 million Deferred Pension Outflow and \$9.1 million Deferred Pension Inflow, based on MMB Analysis and GASB 68.

