



**DEPARTMENT
OF CORRECTIONS**
MINNCOR INDUSTRIES

ANNUAL REPORT

FY24

MINNCOR Industries



Welcome to Our **ANNUAL REPORT** July 2023 - August 2024

MINNCOR Industries, a Minnesota Department of Corrections program, offers incarcerated individuals valuable job training and real-world manufacturing experience. Operating within Minnesota correctional facilities, MINNCOR provides various products and services to State of Minnesota agencies and private industry partners, contributing to Minnesota's leadership in correctional rehabilitation and successful community reintegration.

As a self-supporting Correctional Industries (CI) program—a distinction held since 2003—MINNCOR combines rehabilitative programming with a functioning business model. This approach provides incarcerated individuals practical work experience and training, preparing them for successful reentry and post-release employment. MINNCOR receives no state subsidies, taxpayer dollars, or grants, existing solely to equip incarcerated individuals with job skills, meaningful employment, and positive work habits, all without cost to taxpayers. MINNCOR plays a vital role in maintaining a safe and secure environment for staff and incarcerated individuals, reducing disruptive behavior and associated costs by providing productive alternatives to idleness.

MISSION: Transforming lives for a safer Minnesota

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MINNCOR CEO MESSAGE

In 2024, MINNCOR achieved significant milestones that underscore our continued commitment to transforming lives and fostering positive change for the incarcerated population. One of our most notable accomplishments was the growth of our program, which allowed us to provide even more individuals with valuable work skills and connect them with the broader business community.

Additionally, we were able to provide financial support to the EMPLOY Program and meet our financial self-sufficiency goal. This success would not have been possible without the dedication and hard work of both our staff and the individuals we serve, whose efforts have strengthened the foundation for future growth.

We also made key investments in our business infrastructure, including advanced manufacturing equipment and the adoption of innovative technologies and processes. These investments enhance our ability to provide participants with real-world work training and skills development, ensuring that they are prepared for success upon reintegration into society.

To further streamline operations and enhance service delivery, we initiated a thorough evaluation of the potential relocation of our centralized canteen, which serves all Minnesota correctional facilities. This evaluation aimed to improve efficiency and increase the stability of our operations moving forward.

This year also saw important leadership changes, with the appointment of a new Chief Financial Officer and a new Vice President of Business Development. Both individuals brought a wealth of knowledge and experience that is invaluable as we continue to grow and evolve.

As we approach MINNCOR's 30th year of providing transformative programming, we remain focused on our mission to transform lives for a safer Minnesota. We are committed to exceeding expectations, earning the trust and support of our stakeholders, and continually enhancing the value of our products and services.

I am deeply grateful for the opportunity to collaborate with such dedicated and passionate individuals, and I have seen firsthand the positive impact that MINNCOR's programs have had on participants. With unwavering commitment, we look to the future, confident in our ability to continue making a difference in the lives of those we serve.



Jeff Lonsky
MINNCOR Chief Executive Officer

SIGNIFICANT ACHIEVEMENTS

Our People: The Driving Force Behind MINNCOR's Success

MINNCOR's achievements are a direct result of our dedicated staff. Their commitment to our mission and passion for positive change are essential to our continued growth and impact. We deeply appreciate their unwavering efforts and the positive difference they make in the lives of others.

Canteen Operations MCF-Oak Park Heights

MCF-Oak Park Heights' canteen operations achieved a near-perfect on-time delivery rate throughout the fiscal year. This impressive accomplishment directly results from the dedication of staff and incarcerated individuals who volunteered for overtime shifts. Canteen remains a vital program, providing essential commissary products to the incarcerated population across Minnesota correctional facilities.

Bridge Partnerships MINNCOR Central Office

MINNCOR Bridge continues to foster partnerships with local Minnesota businesses, providing subcontract services such as assembly, packaging, and warehousing. Bridge provides work assignments for more than 50 work-release individuals, helping them to develop valuable job skills while participating in classes, training programs, and employment searches.

License Plates MCF-Rush City

MCF-Rush City successfully launched production following legislative approval of several new Minnesota license plate designs, including options for five professional sports teams and a new "blackout" plate. The plates were made available for public order at the beginning of 2024. Plates produced between January-June 2024 were:

- Blackout: 6,942
- Twins: 62
- Vikings: 1,100
- Timberwolves: 215
- Wild: 40
- Lynx: 21

Casework and Cabinetry MCF-Faribault Wood Shop

MININCOR secured a \$282,000 cabinetry project for a new affordable housing development in Minneapolis. This development comprises 63 units, including 14 designated as permanent supportive housing. Deliveries from the MCF-Faribault Wood Shop are scheduled to begin at the end of March and continue through May.

Updated Marketing Literature Marketing Division - Central Office

The Marketing Division updated its marketing materials throughout the fiscal year. These new materials support the Sales Team and other staff in promoting MINNCOR's products and services, communicating MINNCOR's mission and story, and facilitating sales. The documents also assist the DOC in presentations to the Legislature. Updated materials include fact sheets, newsletters, brochures, flyers, and a product catalog.

MINNCOR Connection

MINNCOR launched our first quarterly newsletter, the 'MINNCOR Connection', where we recognize and share success stories that demonstrate the mission of the program.



Issue 1 - Summer 2023

Stories included a look inside the mission-driven partnership with Faribault Mill; the partnership with Carver County Parks; and an overview of MINNCOR Bridge's Moral Recognition Therapy training.



Issue 2 - Fall/Winter 2023

Stories highlighted Print Shop's participant success; MINNCOR's new bunk bed design for the Minnesota DNR; and a showcase of new license plate designed by the Minnesota Indian Affairs Council.



Issue 3 - Spring 2024

Stories included a participant success story; a spotlight on MINNCOR's Laundry; and a look at how MINNCOR supports the Minnesota community through Habitat for Humanity partnerships.

ISSUE 1: 1,308 EMAILS SENT

ISSUE 2: 1,364 EMAILS SENT

ISSUE 3: 1,476 EMAILS SENT

Statistics

MINNCOR Connection newsletter was emailed to MINNCOR staff, DOC Leadership, customers, and potential new customers of MINNCOR. Additionally, a printed issue was mailed to over 200+ Minnesota State Commissioners, Deputy Commissioners, and Executive-level staff.

Success Story: Zany

“It gave me a sense of responsibility and motivation to be a better person.”

Zany started her journey with MINNCOR Industries in February, 2022 in the General Assembly Unit at Minnesota Correctional Facility-Shakopee, and eventually transferred to the Diversified Unit in 2023.

While in Diversified, Zany was responsible for getting orders placed on pallets, making sure they were placed onto delivery trucks, acting as a Lead Worker, and setting up other incarcerated persons (IP) with work, filling out paperwork, helping on the shop floor, and ensuring IPs were familiar with the requirements of their MINNCOR assignment.

In October of 2023, Zany joined the Challenge Incarceration Program (CIP), a voluntary program for those who meet statutory and department requirements, which consists of three phases.

Phase 1 has a highly structured daily schedule, and a rigorous physical training program designed to teach personal discipline and improve the physical and mental well-being of the participant. Programming includes substance use disorder treatment (if applicable), education, cognitive skills, restorative justice, physical training, military bearing, drill and ceremony, work crew, and transition preparation. After completion of Phase 1, IPs are released under intensive supervision in the community and begin Phases 2 and 3. Following successful completion of all three phases, individuals are placed on supervised release for the remainder of their sentence.

We asked Zany about her experience with MINNCOR and her goals once she is released and back in the community.

What skills have you learned working in Industry? Communication skills for sure, and learning to use effective time management, trying to get orders out; but I would say for sure communication, not just for myself but with other people and with my supervisors as well.



How has working in Industry helped you within the facility, and/or during your transition back into the community? I believe it has helped me a lot. It gives me hope that I can do something, like be a lead when I get out and have that leadership role in whatever job I seek out in the future. I was pushing myself and I had a goal of wanting to be a lead, and I reached that goal, so I know I can reach other goals in my future. It's meant a lot. It also gave me a sense of responsibility and gave me motivation to be a better person, and to have people look up to me.

What would you tell someone interested in applying for an assignment at MINNCOR? I would say to them that it's a great opportunity, especially if you have those goals to change your life and to succeed in life; this is the place, MINNCOR is the place to do it. It gives you the skills, and not only that, but the supervisors treat you with respect and they treat you like a person, and sometimes in a correctional facility, you don't get that, you don't feel that.

Zany has proven herself to be an outstanding participant. She demonstrated compassion for others and proved to be a hard and honest worker.

Zany, and so many other IPs who have been assigned or are currently assigned to MINNCOR, exemplifies the benefits of correctional industry programming, showing that when IPs are given the opportunity to better themselves and strive for a better future, positive outcomes can be achieved.

Connecting Print Shop Participants with Real-World Experience



MINNCOR's Print Technology Program (PTP) is based out of the MINNCOR-Moose Lake Print Shop and aims to prepare participants for success in the commercial printing industry. Through this program, individuals attend 24 months of classroom and on-the-job training while sharing their learned skills with others. Participants of the program may earn national certification through the Graphic Arts Technical Foundation (GATF) and the Printing United Alliance (PUA) Foundation. Additionally, participants advance through ongoing training and make themselves employable upon release.

This exciting program was first developed in Moose Lake in 2018, and since its inception, 13 participants have successfully landed jobs in the commercial print industry throughout Minnesota and South Dakota. In fact, MINNCOR-Moose Lake is on track to add four more to this record.

Program participants as of November 2023:

- Print Technology Program: 79
- GAFT Bindery curriculum, on-the-job training, and Printing United Alliance: 21
- GAFT Bindery curriculum and Certified Bindery Technicians: 44
- Printing United Alliance Offset curriculum and certified as offset technicians: 11
- Currently in the Printing United Alliance Offset class with plans to be certified: 3



In a time when it could be easy to give up, the participants in PTP have continually proven themselves to be driven. They are smart, capable, open to learning new skills, and are the first in line to help others learn. Most importantly, these participants want to have a better life outside for themselves, their families, and for their community. MINNCOR staff are excited to see each participant succeed, and for them to see a positive difference in their life.

License Plates

MINNCOR is proud to partner with six of 11 Minnesota Native American Tribes on the design and production of new license plates.

672
Plates
Printed

Leech
Lake Band
of Ojibwe

3,878
Plates
Printed

Red Lake
Band of
Ojibwe

773
Plates
Printed

Mille Lacs
Band of
Ojibwe

Grand
Portage
Band of Lake
Superior
Chippewa

301
Plates
Printed

White
Earth
Nation

6,270
Plates
Printed



Leech Lake Band of Ojibwe



Mille Lacs Band of Ojibwe



Red Lake Band of Ojibwe



White Earth Nation



Grand Portage Band of Lake Superior Chippewa

Annual Financials

Statement of Net Position

(in Thousands)

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(in Thousands)

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(in Thousands)

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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	FY24	FY23	FY22
Current Assets:			
Cash and Cash Equivalents	14,270	13,702	13,719
Accounts Receivable	6,088	4,621	7,669
Interfund Receivables	--	--	--
Inventories	11,499	4,411	7,067
Prepaid Expenses	=	=	=
Total Current Assets	<u>31,857</u>	<u>22,734</u>	<u>28,455</u>
Noncurrent Assets:			
Accounts Receivable	--	--	--
Right-To-Use Assets (Net)/Leased Assets (Net)	121	182	243
Depreciable Capital Assets (Net)	2,933	3,285	3,917
Nondepreciable Capital Assets	=	=	=
Total Noncurrent Assets	<u>3,054</u>	<u>3,467</u>	<u>4,160</u>
Total Assets	<u>34,911</u>	<u>26,201</u>	<u>32,615</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	4,341	5,938	6,981
Deferred Other Postemployment Benefits Outflows	<u>1,013</u>	<u>1,072</u>	<u>963</u>
Total Deferred Outflows of Resources	<u>5,354</u>	<u>7,010</u>	<u>7,944</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,379	3,590	5,934
Interfund Payables	--	--	--
Unearned Revenue	--	--	--
Leases Payable	64	62	60
Claims Payable	--	--	--
Compensated Absences Payable	151		
Other Postemployment Benefits	<u>363</u>	<u>159</u>	<u>153</u>
Total Current Liabilities	<u>5,957</u>	<u>3,811</u>	<u>6,147</u>
Noncurrent Liabilities:			
Leases Payable	61	186	186
Unearned Revenues	--	--	--
Compensated Absences Payable	924	865	859
Other Postemployment Benefits	5,507	5,446	6,268
Net Pension Liability	<u>9,906</u>	<u>12,610</u>	<u>9,026</u>
Total Noncurrent Liabilities	<u>16,398</u>	<u>19,046</u>	<u>16,339</u>
Total Liabilities	<u>22,355</u>	<u>22,857</u>	<u>22,486</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	2,270	1,507	9,160
Deferred Other Postemployment Benefits Inflows	<u>658</u>	<u>894</u>	<u>762</u>
Total Deferred Inflows of Resources	<u>2,928</u>	<u>2,401</u>	<u>9,922</u>
NET POSITION			
Net Investment in Capital Assets	<u>2,929</u>	<u>3,280</u>	<u>3,914</u>
Restricted for:			
Develop Economy and Workforce	--	--	--
Enhance 911 Services and Increase Safety	12,053	4,673	4,237
Other Purposes	=	=	=
Total Restricted	<u>12,053</u>	<u>4,673</u>	<u>4,237</u>
Unrestricted	=	=	=
Total Net Position	<u>14,982</u>	<u>7,953</u>	<u>8,151</u>

Statement of Revenue, Expenses and Changes in Net Position

(in Thousands)

OPERATING REVENUES:	FY24	FY23	FY22
Net Sales	49,144	40,015	41,112
Insurance Premiums	--	--	--
Other Income	<u>3,319</u>	<u>2,292</u>	<u>2,375</u>
Total Operating Revenues	52,463	42,307	43,487
Less: Cost of Goods Sold	<u>22,709</u>	<u>24,925</u>	<u>25,883</u>
Gross Margin	<u>29,754</u>	<u>17,382</u>	<u>17,654</u>
OPERATING EXPENSES:			
Purchased Services	5,573	4,663	2,713
Salaries and Fringe Benefits	11,993	8,360	4,814
Claims	--	--	--
Depreciation and Amortization	1,181	1,032	1,300
Supplies and Materials	224	37	246
Repairs and Maintenance	138	6	269
Indirect Costs	3,178	3,206	3,638
Other Expenses	<u>178</u>	<u>58</u>	<u>--</u>
Total Operating Expenses	<u>22,465</u>	<u>17,934</u>	<u>12,980</u>
Operating Income (Loss)	<u>7,289</u>	<u>(552)</u>	<u>4,674</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Income	563	352	53
Other Nonoperating Revenues	--	--	--
Interest and Financing Costs	(832)	(1)	(1)
Grants, Aids and Subsidies	--	--	(999)
Other Nonoperating Expenses	--	--	--
Gain (Loss) on Disposal of Capital Assets	<u>9</u>	<u>3</u>	<u>(371)</u>
Total Nonoperating Revenues (Expenses)	<u>(260)</u>	<u>354</u>	<u>(518)</u>
Income (Loss) Before Transfers and Contributions	7,029	(198)	4,156
Transfers-In	--	--	--
Transfers-Out	--	--	--
Change in Net Position	<u>7,029</u>	<u>(198)</u>	<u>4,156</u>
Net Position, Beginning, as Reported and Restated.....	<u>7,953</u>	<u>8,151</u>	<u>3,995</u>
Net Position, Ending	<u>14,982</u>	<u>7,953</u>	<u>8,151</u>

Statement of Cash Flows

(in Thousands)

	FY24	FY23	FY22
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	47,677	43,063	44,962
Receipts from Other Revenues	3,319	2,292	2,375
Payments to Claimants	--	--	--
Payments to Suppliers	(37,299)	(33,155)	(31,977)
Payments to Employees	(12,039)	(12,173)	(11,981)
Payments to Others	--	--	--
Net Cash Flows from Operating Activities	<u>1,658</u>	<u>27</u>	<u>379</u>
Cash Flows from Noncapital Financing Activities:			
Grant Disbursements	(832)	--	(199)
Transfers-In	--	--	--
Transfers-Out	--	--	--
Net Cash Flows from Noncapital Financing Activities	<u>(832)</u>	--	<u>(199)</u>
Cash Flows from Capital and Related Financing Activities:			
Investment in Capital Assets	(768)	(339)	(263)
Proceeds from Disposal of Capital Assets	9	3	--
Lease Payments	(62)	(59)	(58)
Interest Paid	--	(1)	(1)
Net Cash Flows from Capital and Related Financing Activities	<u>(821)</u>	<u>(396)</u>	<u>(322)</u>
Cash Flows from Investing Activities:			
Investment Earnings	<u>563</u>	<u>352</u>	<u>53</u>
Net Cash Flows from Investing Activities	<u>563</u>	<u>352</u>	<u>53</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>568</u>	<u>(17)</u>	<u>(89)</u>
Cash and Cash Equivalents, Beginning, as Reported	<u>13,702</u>	<u>13,719</u>	<u>13,808</u>
Cash and Cash Equivalents, Ending	<u>14,270</u>	<u>13,702</u>	<u>13,719</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	<u>7,289</u>	<u>(552)</u>	<u>4,674</u>
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	1,181	1,032	1,300
Miscellaneous Nonoperating Revenues	--	--	--
Miscellaneous Nonoperating Expenses	--	--	--
Change in Assets, Liabilities, Deferred Outflows and Inflows:			
Accounts Receivable	(1,467)	3,048	850
Inventories	(7,088)	2,656	(771)
Other Assets	--	--	--
Deferred Outflows	1,656	934	(5,118)
Accounts Payable	1,789	(2,344)	1,493
Claims Payable	--	--	--
Compensated Absences Payable	51	12	(95)
Unearned Revenues	--	--	--
Other Postemployment Benefits	424	(822)	265
Net Pension Liability	(2,704)	3,584	(1,992)
Deferred Inflows	<u>527</u>	<u>(7,521)</u>	<u>(227)</u>
Net Reconciling Items to be Added to (Deducted from) Operating Income	<u>(5,631)</u>	<u>579</u>	<u>(4,295)</u>
Net Cash Flows from Operating Activities	<u>1,658</u>	<u>27</u>	<u>379</u>

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 people (IP) 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 IP 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 is funding part of the EMPLOY program.

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 24, MINNCOR's current Compensated Absence balance was \$151 thousand, and the noncurrent Compensated Absence balance was \$924 thousand.

Note 4: Significant Account Variances

In Fiscal Year 24 MINNCOR had a \$9.9 million net pension liability, a \$4.3 million Deferred Pension Outflow and \$2.3 million Deferred Pension Inflow, based on MMB Analysis and GASB 68.



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