

COLORADO

CORRECTIONAL INDUSTRIES



2023 Annual Report



COLORADO

CORRECTIONAL INDUSTRIES

www.coloradoci.com

WE BUILD OPPORTUNITY

Fiscal 2022-23 was a transitional year for Colorado Correctional Industries CCI. CCI completed its reorganization at the end of Fiscal 2022, which resulted in the closure of significant areas of our business, including our furniture sector (Modular Systems, Furniture, Seating, and Sales,) along with the Water Buffalo Dairy, Fisheries, and several other operations. The furniture sector had historically been a large revenue driver that supported smaller businesses and employed hundreds of incarcerated workers but was no longer viable after the COVID-19 pandemic response that sent the vast majority of our customers to remote work arrangements. Colorado Correctional Industries was forced to re-imagine itself. Starting in Fiscal 2023, CCI focused on finding private sector companies that would hire incarcerated adults who were getting close to release and qualified to leave the facility for work and return in the evening. An escape by one of these workers led to the abrupt closure of this program just a couple of weeks into the new year and also resulted in a seven-week shutdown of all CCI programs that conducted work off prison grounds, including the SWIFT firefighting crew and Heavy Equipment programs in the Canon City area, and our General Services program in Denver. This had a significant impact on revenue for these programs that rely on favorable summer weather for the majority of their annual revenue, and shutting down SWIFT negatively affected our relationship with fire mitigation customers that were counting on the SWIFT team to reduce combustible fuels in fire-prone areas to protect public and private property from devastating wildfires.



A further result of the escape from work release is that criteria to qualify for off-grounds work has been significantly tightened. All three programs that perform off grounds work are struggling to maintain minimum crew strength. Denver General Services finished Fiscal 2023 with 5 workers, with full-strength being 24 workers.

Despite the challenges faced by off grounds programs, CCI as a whole became profitable for the first time since 2018. This success is highlighted by the Leather factory, that moved from Buena Vista to Sterling in 2021 and found it challenging to regain productivity in the new location with a new supervisor. The shop has turned the corner and is back to full production and has regained the confidence of their customers, who have increased their ordering to pre-move levels with plans to increase orders as the shop gains efficiency. This is the first profitable year for the leather shop since 2017. Our garment factory struggled through COVID-19 closures and restrictions with backlogs on production and difficulties procuring raw materials. In FY 2023, they were able to make up for the backlog and even had their largest volume month ever, in February.

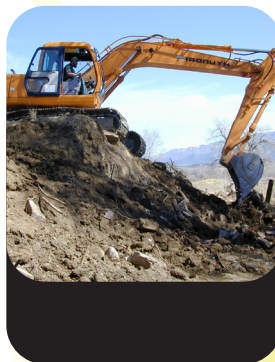


CCI has businesses employing incarcerated adults in prisons throughout Colorado



Four Mile Correctional Facility

- Farm - 4 staff, 16 inmates
- Wild Horse Inmate Program (WHIP) 5 Staff, 25 inmates
- Heavy Equipment 2 staff, 21 inmates
- State Wild land Inmate Fire Team (SWIFT) 4 staff, 22 inmates





Prison Trained K-9 Companion Program

- 7 staff 106 inmates spread across the following facilities

- Sterling
- Denver
- Arrowhead
- Four Mile
- Territorial
- LaVista



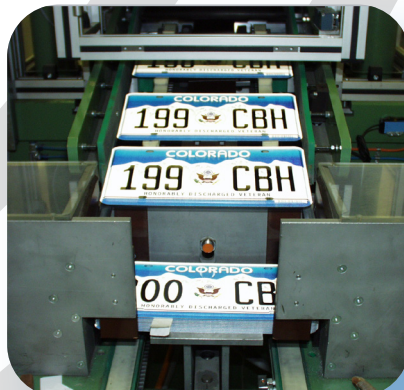
Sterling Correctional Facility

- Leather Goods/Saddles 1 staff 16 inmates



Colorado Territorial Correctional Facility

- Tag/Tab/Sign shop - 5 staff, 70 inmates



Arrowhead Correctional Facility

- Canteen Fulfillment



Rifle Correctional Center

- Culinary Program 1 Staff, 40 inmates



Limon Correctional Facility

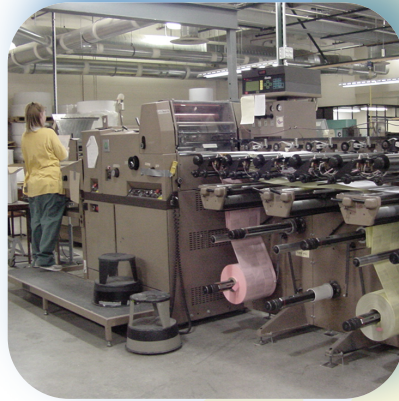
- Garment manufacturing 5 staff 100 inmates



Fremont Correctional Facility

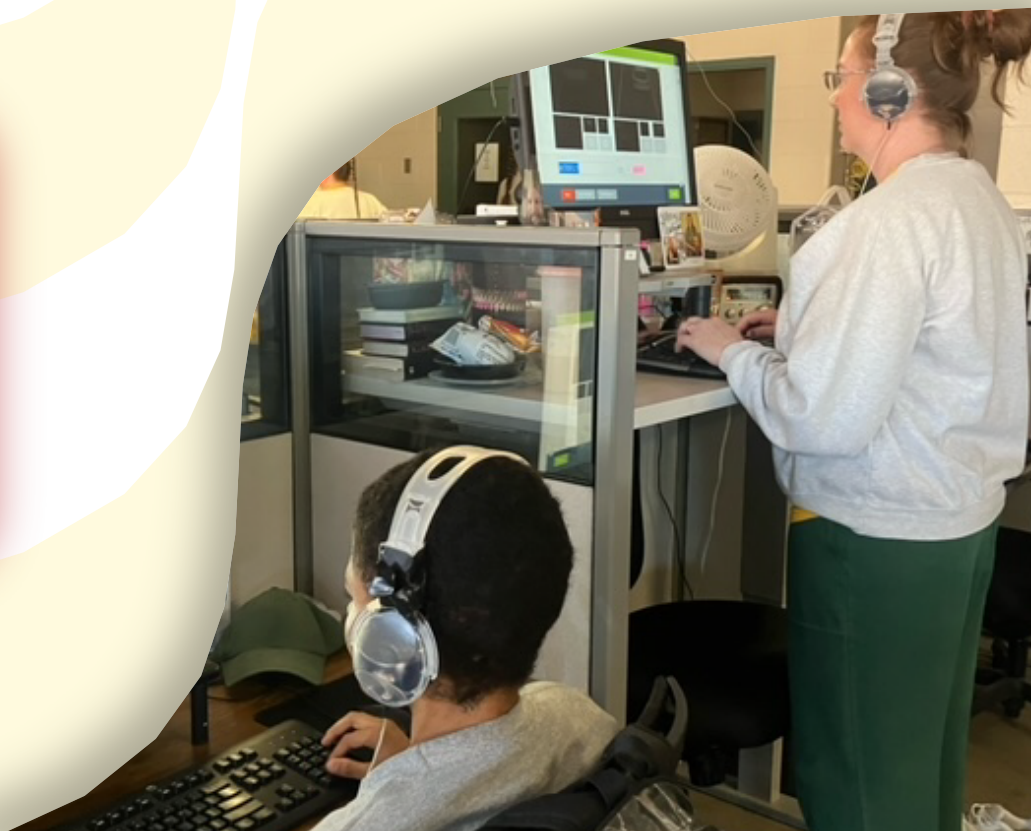
- Metal Manufacturing - 3 staff, 60 inmates





Denver Women's Correctional Facility

- Print Shop 2 staff 23 inmates
- E-470 Image Processing 1 staff 32 inmates
- Coffee Roasting 1 staff 3 inmates
- Surplus Property 3 staff 4 inmates
- General Services 4 staff 5 inmates



COLORADO DEPARTMENT OF CORRECTIONS
DIVISION OF CORRECTIONAL INDUSTRIES
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023 AND JUNE 30, 2022
UNAUDITED (NOTE 1)

	YEAR ENDING 06/30/23	YEAR ENDING 06/30/22
ASSETS:		
CURRENT ASSETS:		
Cash and Pooled Cash (NOTE 2)	\$ (4,434,111)	\$ (4,014,921)
Other Receivables, net	915,467	1,122,162
Due from Other Governments	973,231	1,088,886
Due from Other Funds	127,886	690,381
Inventories	6,149,222	4,353,385
TOTAL CURRENT ASSETS	<u>3,731,695</u>	<u>3,239,893</u>
NONCURRENT ASSETS:		
Depreciable and Capital Assets and Infrastructure, net	4,624,445	4,632,731
Land and Nondepreciable Infrastructure	940,730	940,730
TOTAL NONCURRENT ASSETS	<u>5,565,175</u>	<u>5,573,461</u>
TOTAL ASSETS	<u>\$ 9,296,870</u>	<u>\$ 8,813,354</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 2,701,269	\$ 2,146,381
Compensated Absences Payable	152,313	145,500
Leases Payable	62,690	58,190
Other Current Liabilities	85,131	-
TOTAL CURRENT LIABILITIES	<u>3,001,403</u>	<u>2,350,071</u>
NONCURRENT LIABILITIES:		
Accrued Compensated Absences	431,372	638,721
Leases Payable	1,149,436	1,212,126
TOTAL NONCURRENT LIABILITIES	<u>1,580,808</u>	<u>1,850,847</u>
TOTAL LIABILITIES	<u>4,582,211</u>	<u>4,200,918</u>
NET POSITION:		
Net Investment in Capital Assets	5,565,175	5,573,461
Unrestricted	(850,516)	(961,025)
TOTAL NET POSITION	<u>\$ 4,714,659</u>	<u>\$ 4,612,436</u>

NOTE 1: The underlying balances are audited in the statewide financial audit.

NOTE 2: Cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit, pooled cash with State Treasurer (at fair market value), and warrants payable.

COLORADO DEPARTMENT OF CORRECTIONS
DIVISION OF CORRECTIONAL INDUSTRIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022
UNAUDITED (NOTE 1)

	YEAR ENDING 06/30/23	YEAR ENDING 06/30/22
OPERATING REVENUES:		
Sales of Goods and Services	\$ 26,242,385	\$ 33,243,040
Other Revenues	102,761	174,912
TOTAL OPERATING REVENUES	<u>26,345,146</u>	<u>33,417,952</u>
OPERATING EXPENSES:		
Raw Materials and Supplies	10,929,840	17,011,460
Salaries and Fringe Benefits	8,242,238	11,707,545
Operating & Travel (NOTE 2)	6,532,798	7,183,731
Depreciation	501,298	503,305
TOTAL OPERATING EXPENSES	<u>26,206,174</u>	<u>36,406,041</u>
OPERATING INCOME (LOSS)	138,972	(2,988,089)
NON-OPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	138,001	209,426
Rental Income (Loss)	113,173	56,110
Gifts and Donations	5,100	1,125
Gain/Loss on Sale or Impairment of Capital Assets	-	94,946
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>256,274</u>	<u>361,607</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	395,246	(2,626,482)
OPERATING TRANSFERS		
Transfers-In	59,549	-
Transfers-Out to General Fund (NOTE 3)	(352,572)	(439,475)
TOTAL OPERATING TRANSFERS	<u>(293,023)</u>	<u>(439,475)</u>
CHANGE IN NET POSITION	102,223	(3,065,957)
NET POSITION - FISCAL YEAR BEGINNING	4,612,436	7,678,393
NET POSITION - FISCAL YEAR ENDING	<u>\$ 4,714,659</u>	<u>\$ 4,612,436</u>

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COLORADO DEPARTMENT OF CORRECTIONS
DIVISION OF CORRECTIONAL INDUSTRIES
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023 AND JUNE 30, 2022
UNAUDITED (NOTE 1)

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COLORADO
CORRECTIONAL INDUSTRIES



COLORADO DEPARTMENT OF CORRECTIONS

CANTEEN, VENDING MACHINE and LIBRARY ACCOUNT

A Division of Correctional Industries

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Canteen, Vending Machine and Library Account Committee:

Melissa Smith, Director of Prisons
Ashley Clark, Director of Finance and Administration
Lacy Monday, Director of Clinical and Correctional Services
Mitch Karstens, Deputy Director of Finance and Administration
Eric Strumpf, Budget and Business Operations Director
Brad Duca, Controller

Andre Stancil
Executive Director

COLORADO DEPARTMENT OF CORRECTIONS

CANTEEN ENTERPRISE FUND

A Division of Correctional Industries

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Canteen Services Mission Statement

The mission of Canteen Services is to provide work and self-improvement opportunities to assist in successful community reintegration, to provide high quality, fairly priced merchandise and services to the inmate population in an efficient and profitable manner, aid in the maintenance of a secure environment, and to reduce reliance on taxpayer provided funds for inmate recreational, educational and social benefit expenditures.

**COLORADO DEPARTMENT OF CORRECTIONS
CANTEEN ENTERPRISE FUND
FISCAL YEAR ENDED JUNE 30, 2023**

CANTEEN ENTERPRISE FUND

The Canteen, Vending Machine and Library Account (Canteen enterprise fund) is an Enterprise Cash Fund that accounts for operations financed and operated in a manner similar to a private business enterprise. The Canteen, a division of Correctional Industries, sells merchandise which complies with security restrictions at each facility to inmates who have adequate funds in their inmate bank accounts. The Canteen offers inmate hygiene and cosmetic items, snack foods, phone time, postage stamps, tokens for facility vending machines, approved clothing, tennis shoes, watches, calculators, notebooks, other staples, and miscellaneous allowable property. The items sold to inmates are priced so that revenues are sufficient to fund all expenses of the Canteen and vending machines. Expenses include services of employees of the Canteen. All costs are considered in order to produce a reasonable profit. Profits from operations of the Canteen are used for the educational, recreational and social benefit of inmates, and to supplement direct inmate needs as required by Colorado Revised Statutes (C.R.S. 17-24-126).

The Canteen is managed as a profitable business, utilizing a computerized perpetual inventory. The Canteen serves inmates housed in Colorado Department of Corrections (CDOC) facilities as well as CDOC inmates housed at privately operated facilities in Colorado. In addition, the Canteen contracts and manages vending services for visiting rooms within each CDOC facility. Families are authorized to send funds to an inmate's bank account for canteen purchases and phone time. All deposits are subject to mandatory withholding for court ordered restitution and child support obligations.

Revenue sources for the Canteen program currently include retail sales to inmates, vending machine commissions, and commissions from the family gift pack program. In Fiscal Year 2023, Canteen retail sales, vending machine commissions, and other revenues were approximately \$23,200,000.

The Colorado General Assembly appropriates funds from the Canteen to inmate education and recreation programs. In Fiscal Year 2023, the Canteen funded approximately \$721,000 for Education and Recreation subprograms appropriated by the General Assembly. With Senate Bill 23-214 for the upcoming Fiscal Year 2024, approximately \$721,000 has been appropriated by the General Assembly to continue funding for Education and Recreation subprogram costs.

Since July 1, 2002, the Canteen enterprise fund has been classified as a cash fund exempt operation. The General Assembly passed House Bill 02-1171 which transferred control of the Canteen to the Division of Correctional Industries and created a Canteen, Vending Machine and Library Account. The designation of enterprise status for the Canteen exempts the revenue of the Canteen from the State's Taxpayer Bill of Rights (TABOR) revenue base.

This report is provided as a general information document for the public, as well as for compliance with American Correctional Association (ACA) Standard 5-ACI-1B-19 and 2-CO-1B-13. The following is a brief description of the Canteen's operations.

CANTEEN SERVICES

Canteen sales in CDOC are similar in nature to a catalog mail order system. Purchases of goods and services, recording receipts, inventory maintenance, and deduction from inmate accounts are recorded electronically. Inmates' individual orders are filled by a selection process, from flow racks into baskets on a conveyor. The orders are inspected for accuracy and contraband, packaged into clear tamper proof plastic bags, and placed into secure storage.

Orders are delivered to facilities throughout the State by Canteen delivery personnel. Facility staff distribute orders to individual inmates. Inmate order issues are communicated to the Canteen through each facility Canteen Coordinator for resolution.

Product lines purchased for resale are reviewed and approved by the Canteen Review Committee who consider inmate needs, security requirements, and profitability. The purchasing for resale is accomplished within the Canteen. Merchandise is received, stocked, and maintained for order processing at the Canteen.

The Canteen program exists for the benefit of incarcerated inmates in CDOC and privately-operated facilities statewide. Approximately 53,000 orders and 225,000 phone calls are processed monthly. Canteen Services currently employs seventy to eighty male inmates, Monday through Friday, at its 18,500 square foot facility located at the Arrowhead Correctional Center in Cañon City where Canteen Services Administration is also located.

The family gift pack program allows family and friends of inmates to order gift packages from a selected vendor for the inmates. These gift packs can be ordered via the internet, mail, or by phone. The gift packs orders are processed and shipped to the Canteen who distributes them to each facility. A commission is received from the vendor which is placed into the Canteen, Vending Machine and Library Account.

INMATE BENEFITS

Approximately \$2,108,000 and \$3,163,000 were spent for inmate benefits in Fiscal Years 2023 and 2022, respectively. A table of Inmate Benefit Expenditures for the two previous Fiscal Years can be found on page four. Canteen profits can also be used to fund certain capital construction projects authorized by the General Assembly as described in the following section.

OTHER INFRASTRUCTURE INVESTMENTS

As part of inmate benefits, profits from the Canteen have been utilized to fund capital construction projects that were authorized by the General Assembly. Profits from the Canteen have been used in past years to fund projects such as expansion of the Canteen at the East Cañon City Complex, a hobby shop at Fremont Correctional Facility, a recreational multi-purpose building at Colorado Correctional Center, a gymnasium at Trinidad Correctional Facility, a visitor center at the East Cañon City Complex, and construction of the Colorado State Penitentiary II Inmate In-Cell Services project. Funds from the Canteen are transferred to the Capital Construction fund for amounts expended for these projects.

OTHER INVESTMENT INFORMATION

The Colorado Department of Corrections deposits its cash (including Canteen enterprise funds) with the Colorado State Treasurer as required by Colorado Revised Statutes. The State Treasurer pools these deposits and invests them in securities authorized by C.R.S. 24-75-601.1. The State Treasury acts as a bank for all State agencies. Monies deposited in the Treasury are invested until the cash is needed. For financial reporting purposes, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at the June 30th fiscal year end. On the basis of CDOC's participation in the pool, CDOC reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the pool's underlying investments. The State Treasurer does not invest any of the pool's resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains/losses included in "Investment Income" reflect only the change in fair value for the fiscal year. Additional information on investments of the State Treasurer's pool may be obtained in the State of Colorado's Annual Comprehensive Financial Report.

**COLORADO DEPARTMENT OF CORRECTIONS
CANTEEN ENTERPRISE FUND
INMATE BENEFITS FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022**

TABLE I.

<u>INMATE BENEFIT EXPENDITURES BY EXPENSE GROUP:</u>				
	<u>FY 22-23</u>		<u>FY 21-22</u>	
		<u>% of Total</u>		<u>% of Total</u>
Cable TV Fees and Equipment Maintenance	\$ 296,420	14.1%	\$ 281,813	8.9%
Volunteer Services	-	0.0%	574,269	18.2%
Recreational Equipment and Supplies	496,803	23.6%	931,527	29.4%
Education/Library Equipment	249,555	11.8%	151,210	4.8%
Computers and Computer Supplies	170,066	8.1%	233,106	7.4%
Imprvmts/Maint to Recreation, Voc Ed & Library Areas	56,197	2.7%	146,637	4.6%
Books and Subscriptions	68,395	3.2%	72,659	2.3%
Education Supplies & Operating/GED Tests	618,920	29.4%	526,334	16.6%
Beauty/Barber/Grooming Supplies	49,330	2.3%	45,285	1.4%
Other	102,563	4.9%	200,281	6.3%
Total Inmate Benefits	<u>\$ 2,108,249</u>	<u>100.0%</u>	<u>\$ 3,163,121</u>	<u>100.0%</u>

TABLE II.

<u>Inmate Benefits as a Percent of Revenue and Operating Income for the Past Five Years:</u>					
	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
Total Inmate Benefits and Improvements	\$2,108,250	\$3,163,000	\$3,052,000	\$2,661,000	\$2,990,000
Operating Revenues	\$23,244,036	\$24,485,740	\$18,949,000	\$20,602,000	\$20,277,000
Inmate Benefits % of Revenues	9%	13%	16%	13%	15%
Operating Income	\$2,964,149	\$4,625,553	\$1,104,000	\$2,222,000	\$2,490,000
Inmate Benefits % of Income	71%	68%	276%	120%	120%

COLORADO DEPARTMENT OF CORRECTIONS
CANTEEN ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023 AND JUNE 30, 2022
UNAUDITED (NOTE 1)

	YEAR ENDING 6/30/23	YEAR ENDING 6/30/22
ASSETS:		
CURRENT ASSETS:		
Cash and Pooled Cash (NOTE 2)	\$ 6,462,651	\$ 6,543,995
Inventories	1,413,288	922,692
TOTAL CURRENT ASSETS	<u>7,875,939</u>	<u>7,466,687</u>
NONCURRENT ASSETS:		
Depreciable Capital Assets and Infrastructure, net	1,564,409	1,770,231
TOTAL NONCURRENT ASSETS	<u>1,564,409</u>	<u>1,770,231</u>
TOTAL ASSETS	<u>\$ 9,440,348</u>	<u>\$ 9,236,918</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 767,528	\$ 1,408,646
TOTAL CURRENT LIABILITIES	<u>767,528</u>	<u>1,408,646</u>
NONCURRENT LIABILITIES:		
Accrued Compensated Absences	261,759	228,748
TOTAL LIABILITIES	<u>1,029,287</u>	<u>1,637,394</u>
NET POSITION:		
Net Investment in Capital Assets	1,564,409	1,770,231
Unrestricted	6,846,652	5,829,293
TOTAL NET POSITION	<u>\$ 8,411,061</u>	<u>\$ 7,599,524</u>

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COLORADO DEPARTMENT OF CORRECTIONS
CANTEEN ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022
UNAUDITED (NOTE 1)

	YEAR ENDING 6/30/23	YEAR ENDING 6/30/22
OPERATING REVENUES:		
Sales-Canteen and Similar Activities	\$ 22,364,666	\$ 23,495,668
Other Revenues	879,370	990,075
TOTAL OPERATING REVENUES	<u>23,244,036</u>	<u>24,485,743</u>
OPERATING EXPENSES:		
Cost of Goods Sold	15,582,964	15,767,117
Salaries and Fringe Benefits	3,239,597	2,809,039
Operating & Travel (NOTE 2)	1,239,903	1,044,799
Depreciation	217,423	239,235
TOTAL OPERATING EXPENSES	<u>20,279,887</u>	<u>19,860,190</u>
NET OPERATING INCOME	2,964,149	4,625,553
NON-OPERATING REVENUES AND (EXPENSES):		
Inmate Benefits	(2,108,249)	(3,163,121)
Investment Income	42,488	(293,079)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,065,761)</u>	<u>(3,456,200)</u>
INCOME BEFORE OPERATING TRANSFERS	898,388	1,169,353
OPERATING TRANSFERS:		
Transfers-Out to General Fund (NOTE 3)	(86,851)	(82,811)
TOTAL OPERATING TRANSFERS	<u>(86,851)</u>	<u>(82,811)</u>
CHANGE IN NET POSITION	811,537	1,086,542
NET POSITION - FISCAL YEAR BEGINNING	7,599,524	6,512,982
NET POSITION - FISCAL YEAR ENDING	<u><u>\$ 8,411,061</u></u>	<u><u>\$ 7,599,524</u></u>

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COLORADO DEPARTMENT OF CORRECTIONS
CANTEEN ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022
UNAUDITED

	YEAR ENDING 6/30/23	YEAR ENDING 6/30/22
CASH FLOWS FROM OPERATING ACTIVITIES:		
Sales of Canteen Items and Similar Activities	\$ 22,364,666	\$ 23,495,667
Other Revenues	879,370	990,075
Employees	(3,206,586)	(2,897,781)
Suppliers	(17,954,582)	(18,662,313)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,082,868</u>	<u>2,925,648</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Inmate Benefits	(2,108,249)	(3,163,121)
Transfers-Out to the General Fund	(86,851)	(82,811)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,195,100)</u>	<u>(3,245,932)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	(11,600)	(34,201)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(11,600)</u>	<u>(34,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	216,441	125,722
Increase from Unrealized Gain on Investments	(173,953)	(418,801)
NET CASH FROM INVESTING ACTIVITIES	<u>42,488</u>	<u>(293,079)</u>
NET INCREASE IN CASH AND POOLED CASH	(81,344)	(647,564)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	6,543,995	7,191,559
CASH AND POOLED CASH, FISCAL YEAR END	<u>\$ 6,462,651</u>	<u>\$ 6,543,995</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 2,964,149	\$ 4,625,553
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	217,423	239,235
Compensated Absences	33,011	(88,742)
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Inventories	(490,596)	76,470
Increase (Decrease) in Accounts Payable	(641,119)	(1,926,868)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,082,868</u>	<u>\$ 2,925,648</u>