

QUALITY SERVICE, QUALITY PRODUCTS



**CORRECTION
ENTERPRISES**

Not Just Making It Right. Making It Better.

2012 ANNUAL REPORT



***“ Through reputation and commitment,
Correction Enterprises is the preferred provider
for state agencies. ”***

June St. Clair-Atkinson
State Superintendent
North Carolina Public Schools

Table of Contents

Message from the Director.....	2
Food & Nutrition	3
Serving Our Fellow Agencies.....	4
Hidden Workforce Success	5
Optical	6
Our Financial Outlook	8
Touching Lives	10
Laundry Services	11
Kudos.....	12
Awards	15
Map	16



Not Just Making It Right. Making It Better.

Message from our Director



To our Valued Customers and Stakeholders,

Thank you for your interest and continued support of Correction Enterprises. We are pleased to share with you our 2012 Annual Report, highlighting Quality Service, Quality Products, as well as kudos from a few of our satisfied customers.

Correction Enterprises provides a unique service to the State of North Carolina. We work to provide inmate job training that emulates successful private industries by embracing the principals of customer service, quality, safety and innovation to generate revenues and maintain margins, ensuring adequate resources to support on-going operations.

Correction Enterprises continues to focus resources on our most important product produced – a well trained inmate ready to transition back to his community as a productive, law-abiding citizen. Through the “Hidden Workforce” initiative, we continue to link released offenders who were trained by Correction Enterprises with community resources, Offender Specialists in the Employment Security Commission, and employers throughout the state who are willing to give an ex-offender a second chance.

I would like to thank our customers, our partners, our dedicated employees and the leadership of the Department of Public Safety for their support this past year. Your continued loyalty, encouragement and innovative ideas assist Correction Enterprises in becoming the premier correctional industries in the United States.

Sincerely,
Karen A. Brown, Director
NC Correction Enterprises

Food & Nutrition



Food Production started with the Caledonia Farm back in the late 1800s, raising vegetables and grains. In 1939, a Meat Processing operation was started at Central Prison, and is now located at Harnett Correctional Institution. To further the growth of the food industry, the Cannery operation was opened in 1956 and is also located at the Caledonia Farm. Bringing the Food Industry full circle, with our Fresh Produce Warehouse was established at Caledonia in 1997. All four of these facilities provide the highest quality product possible and in turn generates 28% of the sales revenue for Correction Enterprises.

Food Industry provides the necessary fresh, canned and frozen items needed to serve approximately 130,000 meals per day. The Farm, Cannery, Fresh Produce Warehouse and Meat Processing Plants work closely with their customers to discuss existing products and assist the Division of Prisons Food

Service staff with their dietary needs. The Food Industry of Correction Enterprises is continuously seeking new product lines, formulations and improving current products to meet the needs of Food Service.

The Enterprises Cannery had an exciting new addition in 2012: A Solbern Tumbler filling machine. This filling machine has the capability of processing 200 96-ounce cans per minute. A conveyor belt carries the cans through the machine on to a shaker pan, allowing the rotating drum filler to fill in the can. Once the cans are filled, they pass through a can seamer which seals the lid onto the can. Once filled and seamed, the cans are ready for the cooking process. The life expectancy of this machine is 15 years and an average daily cost of \$21.00 per day.

The Food Industry of Correction Enterprises takes pride in providing customers with the highest quality products and services at affordable pricing. In doing so, these industries provide a meaningful work experience and rehabilitative opportunities for inmates, and quality food products and services to the institutions we serve at a savings to the taxpayers of North Carolina.

"I've worked with the food industries staff at Correction Enterprises for several years. The staff just seems to have what it takes to launch forward any idea in the most creative way, working through any problems masterfully. They listen to us and make any requested changes with no difficulty. Their turnaround time helps to keep our projects on schedule. I am extremely grateful to work with the staff at Correction Enterprises and look forward to continuing this great work relationship in the future."

Jackie Parker, MS, RD, LDN
Correctional Food Service Director



Serving Our Fellow Agencies

The staff at the Headquarters and Headquarters Company (HHC) 30th Brigade Special Troops Battalion (BSTB) located in the Durham National Guard Armory in North Carolina began using Correction Enterprises Framing and Matting services for their award plaques in 2012. When an officer in the North Carolina National Guard is promoted to a higher rank or retires from their command they receive a special plaque. Staff Sergeant (SSG) Eric Abrams contacted Correction Enterprises to design and engrave the plaques. SSG Abrams was so pleased that he has returned for further plaques for various award ceremonies.

The most recent project Framing and Matting services created was for Cpt. James Eugene Monihan for his promotion from his command with the HHC 30th BSTB. This project was very challenging in that the design which incorporates the achievements of two different versions on the plaque: dress uniform and combat uniform medals, the unit's crest and two special coins. The shadowbox frame design for this application was very challenging with the multiple levels of design that had to be applied to this project, the securing of the medals and coins, along with an engraved plaque acknowledging the service dates of Cpt. James Eugene Monihan.



Eric Malave, Framing Supervisor & Staff Sergeant Eric Abrams

Among the awards framed, The Reins of Command coin is a numbered award that is placed on the plaque and a second coin is given to the recipient at the ceremony. The Award for Excellence and Devotion to Duty is given to the recipient by the command location. The matting material used for the plaque has to be as close to field red as possible since the HHC 30th BSTB is an infantry battalion.

The Correction Enterprises Matting and Framing service has had the opportunity to work on some very challenging and intricate artwork. From a priceless pair of ballet slippers, several Egyptian papyrus scrolls to Military uniforms for our retired soldiers. We have had the honor to design and frame for the Governor's Protection detail, which has been utilizing the computerized mat cutting portfolio. Along with various signed and numbered Fine Art prints, posters and collage art works that have been designed and framed.

"I have done business with the Framing and Matting Service on several occasions. The prices are affordable and less than I would pay in the commercial market. I find the staff to be courteous, professional and accommodating. Management provides good customer service. I appreciate the meticulous attention to detail, down to the TLC that goes into packing an order for pick-up or shipment. The staff at the Framing and Matting Plant shows a commitment to continuous quality improvement. Utilizing Framing and Matting Services gives the inmates an opportunity to learn a trade that could lead to a viable vocation for inmates returning to the workforce. I like to think that the work that I have had done at the Framing and Matting Plant contributes in a small way to the rehabilitation of inmates."

Mary T. Tripp
Policy Unit Leader DMH/DD/SAS Accountability Team

The unit's shoulder sleeve insignia consists of the letters "O H" in blue on a red background with the letters "XXX" on the bar of the "H". The insignia is worn with the long axis vertical. The letters "O H" stands for "Old Hickory" and the "XXX" is the Roman notation for the number of the organization. The brigade received the nickname of "Old Hickory" back when the unit was first assembled as a division on August 3, 1917 when it went into training at Camp Sevier, South Carolina. The nickname honors Major General Andrew Jackson (1767-1845), due to the original division being composed of National Guard units from areas where he lived.



The distinctive unit insignia has a representation of a hornet's nest in blue enamel charged at the top with five gold fleurs-de-lis with a gold five-pointed star at the base on a blue background. The hornet's nest is a reference to the unit's home area. The fleurs-de-lis represent the unit's participation in five campaigns in Europe during World War II, while the sword with blade in the colors of the Belgium Fourragere refers to the award received for service in Belgium and the Ardennes. The laurel branch and the star denote awards of the French Croix de Guerre with Palm and with Star for service in France during World War II; the scarlet scroll alludes to the Meritorious Unit Commendation.



The Hidden Workforce Success



Clayton Wright, Metal Plant Manager & Mark Catan

Correction Enterprises Metal Products Plant along with Central Carolina Community College educated and trained Mark Catan in Welding Technology which earned him his Certificate as Journeyman Tradesman through the North Carolina Department of Labor.

Mark had worked at other jobs within the department while incarcerated and commented “there is no comparison to the apprenticeship program. This program helped prepare me through interaction with other workers and supervision while understanding quality and deadlines. My journeyman card helped me get the interview and the job.” Mark is currently employed with Pilgrims Pride Poultry as a Crew leader and slotted for a Supervisory position.

“The four years of training I received gave me the skills and knowledge I needed to get a job and perform at the highest level.”

Mark Catan

Mark Catan is an example of Correction Enterprises story of “The Hidden Workforce”, turning an ex-offender into an excellent employee. The North Carolina Department of Public Safety, through Correction Enterprises, trains inmates in various trades through hands-on applied work experiences. Correction Enterprises played a major role in preparing Mark Catan for transition back into the community. Correction Enterprises mission statement addresses its responsibility to provide inmates with rehabilitative opportunities through meaningful work experiences.



Enhancing...

Leaps and Bounds

Correction Enterprises sold its first pair of prescription eyeglasses to a state employee on March 27, 2008. This program has grown by leaps and bounds since its inception. The program enables all state, city, county and retired employees to attain a savings of up to 50% on their eyeglass purchases. This fund aids victims of crime in our state. When employees purchase eyeglasses through the Correction Enterprises Optical Program, they are saving money as well as aiding with inmate rehabilitation.

The Optical Plant is at the Nash Correctional Institution in Nashville, NC. The Optical Program is run by Correction Enterprises employee Karen Hobbs with her assistant, Crystal Hyman. Mrs. Hobbs has been a state-licensed optician since 1990. The Optical Plant has sold over 3,800 pairs of eyeglasses to state employees in the four-and-a-half years since inception.

The Optical Staff operates two locations in the state: Raleigh and Nashville. In order to extend this service to more employees,

Correction Enterprises reached out to licensed optometrists in different areas of the state. The first doctor that joined was Dr. Edward Weaver of Wilmington Optometry. The second is Dr. Thomas McIntosh of Carolina Vision Care in Greenville. We also acquired the services of Dr. Steven Satterfield of Primary Eye Care Associates in Asheville.



Larry Bobbitt
Supervisor II

Our Outlook

Optical Customer Testimonials

"I have been a customer of Correction Enterprises, buying my prescription eyeglasses here for the past three years. I work producing statewide television, and sharp vision is critical to performing my job. The frames, lens coatings and lenses have been high quality and comparable to those you would obtain from other opticians in my area. The only difference is that they cost a fraction of what those other shops would charge. You can buy multiple pairs for what a retail shop would charge for one. The direct customer service that I have received from the team at the Raleigh office is second to none. When there was something wrong about a pair (which could have been an issue with the original prescription), adjustments were made to the optical profile of my progressive lenses, with replacements provided without additional charge."

Marc Erickson
Technical Operations
UNC-TV - UNC General Administration

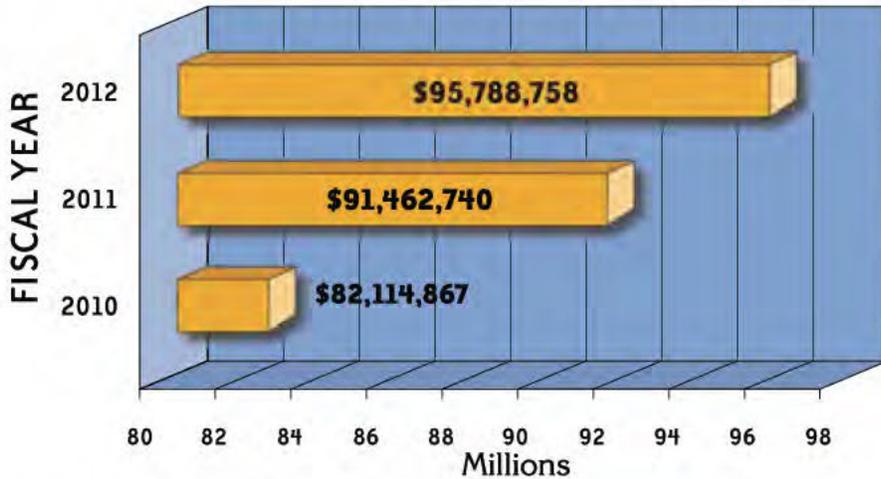


"I have been very pleased with my new glasses. I was also happy with the price. People that I know had told me how expensive eyeglasses were and had me a little concerned. This is my first pair and overall I am very pleased with them, especially the price."

Jeff Tripp
Mechanic
Town of Ayden

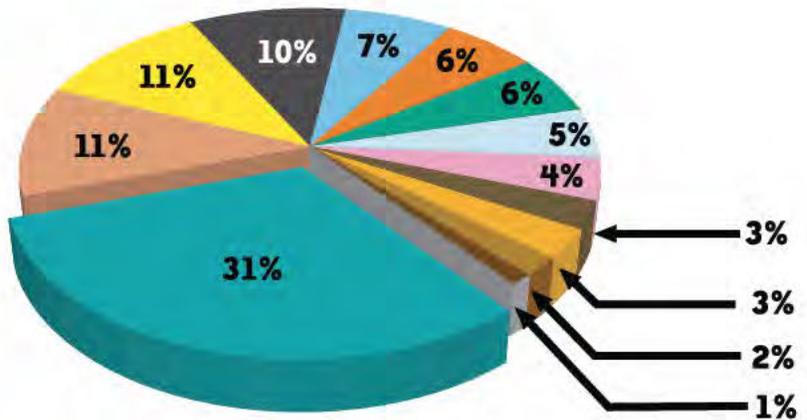
Our Financial Statement

SALES OF GOODS & SERVICES



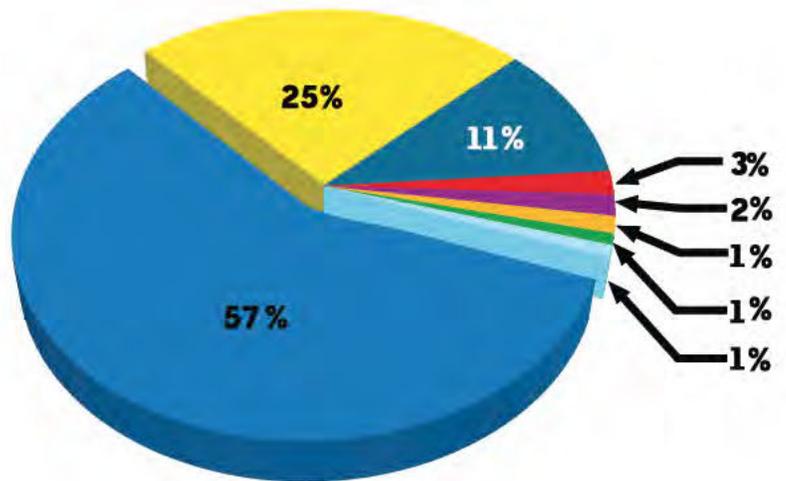
SALES BY PRODUCT

- Food Products.....
- Sewing Products.....
- Signs.....
- Laundries.....
- Paint Products.....
- Print & Duplicating.....
- Janitorial Products.....
- Optical.....
- License Plates.....
- Oil & Oil Related Products.....
- Upholstery & Reupholstery.....
- Woodworking.....
- Metal Fabrication.....



SALES BY AGENCY

- Department of Public Safety.....
- Department of Transportation.....
- Other State Agencies.....
- Hospitals.....
- Cities & Counties.....
- Public Schools.....
- Colleges & Universities.....
- Non-Profit Agencies & Employee Sales.....



Our Financial Statement

Balance Sheet

For the Fiscal Year Ended June 30, 2012

Current Assets	Cash	6,824,690
	Account Receivable	4,397,428
	Less Allowance for Bad Debts	
	Raw Material Inventories	17,805,276
	FG Inventories	9,707,901
	Investment	
	Total Current Assets	<u>38,735,295</u>
Fixed Assets	Plant and Equipment	94,843,645
	Less Accumulated Depreciation	(52,718,524)
	Net Plant & Equipment	<u>42,125,121</u>
Other Assets	Construction in Progress	201,956
	TOTAL ASSETS	<u>81,062,371</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities	Account Payable	2,887,225
	Accrued Payroll	12,030
	Sales Tax Payable	0
	Due to Other Funds	2,308,950
	Deferred Revenue	115,071
	Inmate Payable	0
	Total Current Liabilities	<u>5,323,276</u>
Long Term Liabilities	Compensated Absences	1,962,844
	Total Liabilities	<u>7,286,120</u>
Fund Equity	Contributed Capital	20,313,000
	Retained Earnings	53,463,251
	TOTAL LIABILITIES & FUND EQUITY	<u>81,062,371</u>

Income Statement

For the Fiscal Year Ended June 30, 2012

OPERATING REVENUES		
	Sales*	95,234,428
	Miscellaneous Revenues	554,330
	Total Operating Revenues	<u>95,788,758</u>
Cost of Sales		<u>79,688,603</u>
Gross Margins		<u>16,100,155</u>
Operating Expenses	Selling and Administrative Expenses	6,764,413
	Depreciation Expense	3,667,004
	Bad Debt	(788)
	Total Operating Expenses	<u>10,430,629</u>
OPERATING INCOME		<u>5,669,526</u>
OPERATING TRANSFERS	Transfer out	3,710,909
	Inmate Labor	3,455,304
	Total Transfer to other funds	<u>7,166,213</u>
NET INCOME		<u>(1,496,687)</u>

*Includes \$2,122,959 of Correction Enterprises Internal Sales

Touching Lives

Braille Transcription Services

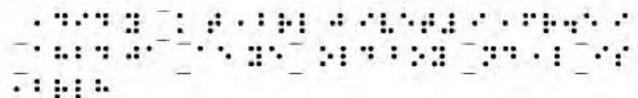


Scotland Correctional
Braille Transcription Plant

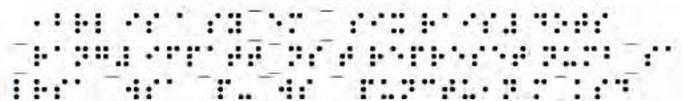


This article is an example of a SimBraille Font. The braille font consists of a cell of six dots. The darker dots in the cell are the dots that would be raised on an actual braille page.

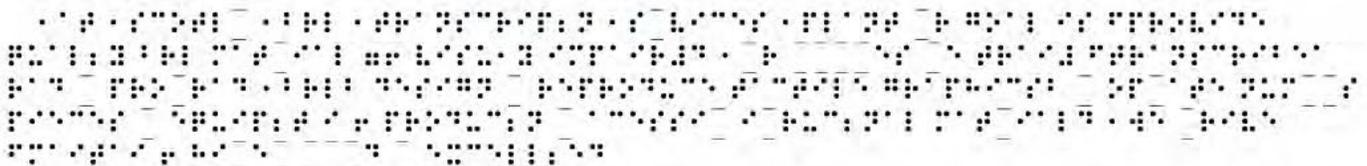
Did you know that Braille was invented in France in 1824 by a 15-year-old boy named Louis Braille?



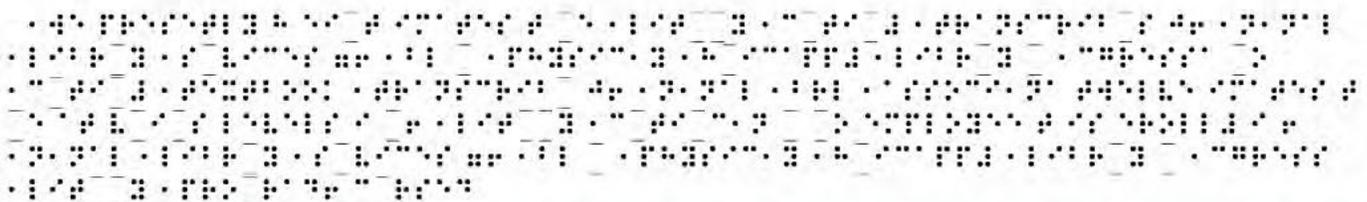
Braille is a system of six raised dots arranged into patterns that represent numbers, letters, words, part-words and punctuation marks.



At the Scotland Braille Transcription Services Plant, our goal is to provide quality braille material for the visually impaired. Our inmates are trained to transcribe, read and proofread Braille; design and reproduce tactile graphics; and operate numerous pieces of equipment in the production of accessible instructional material. We strive to maintain the highest standard of excellence.



We presently have eight inmates who are Literary Certified Transcribers by the National Library Services for the Blind and Physically Handicapped Library of Congress, one Certified Textbook Transcriber by the National Braille Association, 12 inmates who are at various levels in their Literary Certification and one employee who is enrolled in the National Library Services for the Blind and Physically Handicapped Library of Congress Literary Proofreading Course.



Laundry Services



Clean linen is an essential service which has been traditionally provided by prison industries to many of the state's public hospitals and correctional facilities. To accomplish this essential service, Correction Enterprises operates six state-of-the-art laundries.

The challenge of maintaining a constant flow of clean linen through the efficient and well-planned processes of collection, sorting, laundering and timely delivery by our state laundries is accomplished every day. Hospitals have come to rely on a consistent and cost-effective laundry service to augment their operations.

The Cape Fear Valley Health System is a non-profit, community-owned health care operation, providing quality health care to the greater Sandhills area.

Correction Enterprises has provided quality laundry services to Cape Fear Valley Hospital for over 20 years.



Claude Wrenn, Plant Supervisor
Kenneth Green, Plant Manager

Umstead Laundry, Butner, NC



"We have been partners for quite some time...it seems to get better and better each year...Correction Enterprises has always risen to the occasion and given us good products."

Steven Benjamin
Supply Chain Manager
Cape Fear Health System

Kudos

Metal Products

"Public schools in North Carolina have purchased stainless steel equipment fabricated by Correction Enterprises and have saved significant money in the process. School systems have the option to purchase this equipment for new school construction and renovation by separating this line of work in the construction bid by inserting 'owner provided'."

Dr. Ben Matthews
Director of School Support
North Carolina Public Schools



Metal Products

There is a good reason why Sharlyn Logan, Child Nutrition Supervisor for Cumberland County Schools, is a regular customer of Correction Enterprises stainless steel products (Metal Products). The service is so good, she said, "It makes me wonder if I am getting special treatment up there...which is good!"

Cumberland County Child Nutrition has purchased hoods, work tables, jiffy lines, shelving and carts. "A little bit of everything," according to Logan.

Customer service is a big focus at Correction Enterprises. "A lot of people make quality stainless steel products, so good customer service must be 'that something' that sets Enterprises stainless steel apart from the rest." It makes a difference to Sharlyn Logan. "Everybody is courteous, helpful and wanting to meet our needs. They fixed a hood for us when deadlines looked like they were impossible to meet. It was work that needed to be completed before school started!"

Sharlyn Logan
Child Nutrition Supervisor
Cumberland County Schools

Kudos

Janitorial Products

Judy Searcy was introduced to the Correction Enterprises dishwashing products and system (Janitorial Products) at the Department of Public Instruction Child Nutrition Fall Conference. She is particularly pleased with the service she receives. "We have been very pleased with the dishwashing system, both the products and service," she said.

"Once we had a problem with too much additive. We simply called our technician and he came by that day to correct it. It was an unscheduled visit for the technician, but he wanted to make sure our problem was corrected."

"I also like the fact that your technician comes by once a month to inspect and service the machinery. That has saved us money by identifying small problems before they became major ones."

Judy Searcy
Director of Child Nutrition
McDowell County Schools

Meat Processing

"I was a meat cutter for two years and it was good training. I enjoyed my work but knew I needed to possess more skills. I submitted a request for promotion. Correction Enterprises advanced me to the shipping and receiving section."

"I worked hard to get the opportunity to be promoted. I knew the more skills and experience I had, the more valuable I was to the Meat Processing Plant and to myself as I try to get a job. The skills I have developed here are transferable to many work environments."

Inmate Eric Winston



Kudos

Quick Copy

"I am often under tight deadlines to get things done. It is always nice to know I can depend on the Quick Copy Center (Printing Services) to make sure I get the printing that I need on time. We use the center for quick copies of our publications. We are very satisfied with the service we receive."

"The Quick Copy Center is able to give us a one-day turnaround..."

"I have found Correction Enterprises' staff to always be very helpful. They will usually go out of their way to help me. They all know me by name. Anything that I need done, they will do. Deliveries usually come in very heavy boxes. I ask them to put them up on the table and they will do that for me. It is no problem. Whatever I need."

Jennifer Henderson
Office Manager
Legislative Report Service



Bruce Tart, Correction Enterprises
Sales Representative
& Brent R. Michaels, MBA

Promotional Sales

"Just a note to say thank you for your outstanding work on the four projects for Fayetteville Technical Community College. The projects included the College's Annual 2010-11 Report, our annual View Book which outlines all of our divisions and curricula, our Presentation Folders and Business Cards. We were extremely pleased with your staff, especially Julie Williams, and the final product we received each time from your creative and printing operations."

Brent R. Michaels, MBA
Vice President for Marketing & Public Relations
Fayetteville Technical Community College

Awards

2011 North Carolina Correction Enterprises STARS

TRACEY GOODWIN

LICENSE TAG PLANT

Employee of the Year

JAMIE PARKER

Administration

Outstanding Customer Service

FREDDY WILLIFORD

OPTICAL

Safety

FREDDIE MICOL

BROUGHTON LAUNDRY

Workplace Improvement

LINDA DAVIDSON

SCOTLAND SEWING

Inmate Improvement/Training

WILLIAM PARKER

REUPHOLSTERY

Quality

WAYNE SASSER

ADMINISTRATION

Heroism

NCCE Plant Locations



- | | | |
|-------------------------------|---------------------------|-------------------------|
| ★ Janitorial Products | ★ Sign Plant | ★ Sampson Laundry |
| ★ Paint Plant | ★ Sign Reclaiming | ★ Chase Laundry |
| ★ Upholstery Plant | ★ Pasquotank Sewing Plant | ★ Broughton Laundry |
| ★ Woodworking Plant | ★ Marion Sewing Plant | ★ Craggy Laundry |
| ★ Reupholstery Plant | ★ Columbus Sewing Plant | ★ Umstead Laundry |
| ★ Metal Plant | ★ Pender Sewing Plant | ★ Meat Processing Plant |
| ★ Scotland Sewing Plant | ★ Caledonia Farm Cannery | ★ Print Plant |
| ★ Braille Transcription Plant | ★ Produce Warehouse | ★ Optical Plant |
| ★ Plant | | |
| ★ Administration | | |
| ★ Central Prison Laundry | | |
| ★ License Tag Plant | | |
| ★ Quick Copy | | |
| ★ Warehouse / Distribution | | |



Not Just Making It Right. Making It Better.



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www.correctionenterprises.com

This Annual Report was proudly printed and assembled by working inmates at the Correction Enterprises Quick Copy Center.