

North Carolina Correction Enterprises
ANNUAL REPORT



Not Just Making It Right. Making It Better.

2020 Yonkers Road | Raleigh, North Carolina

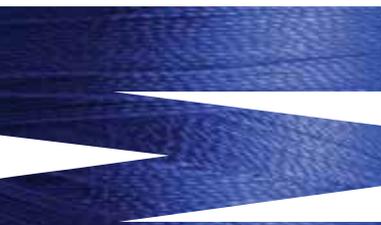
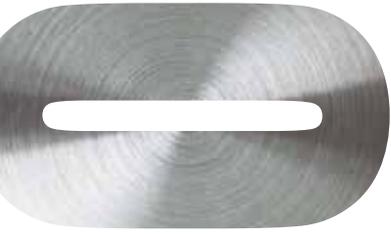
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MISSION STATEMENT

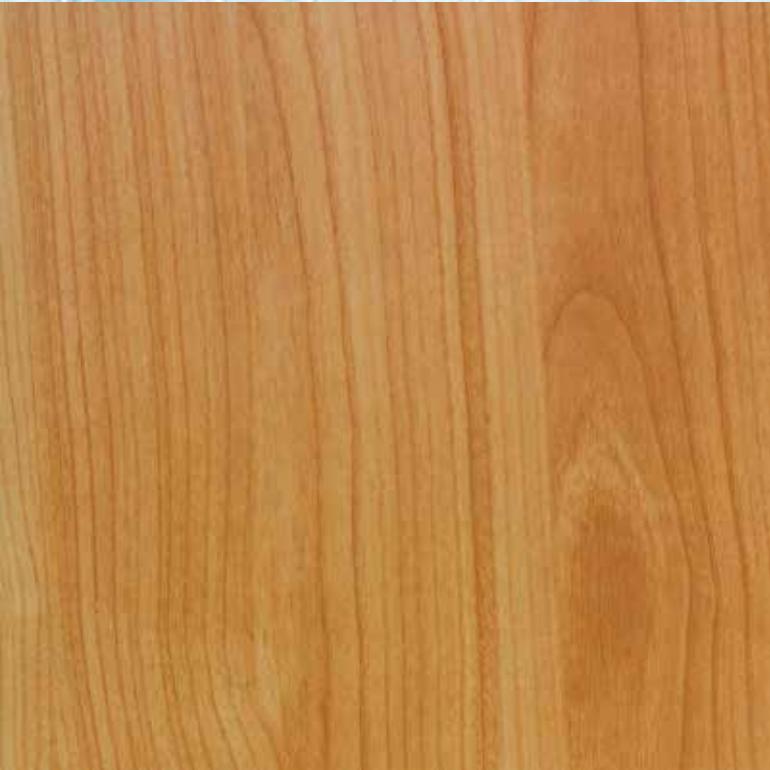
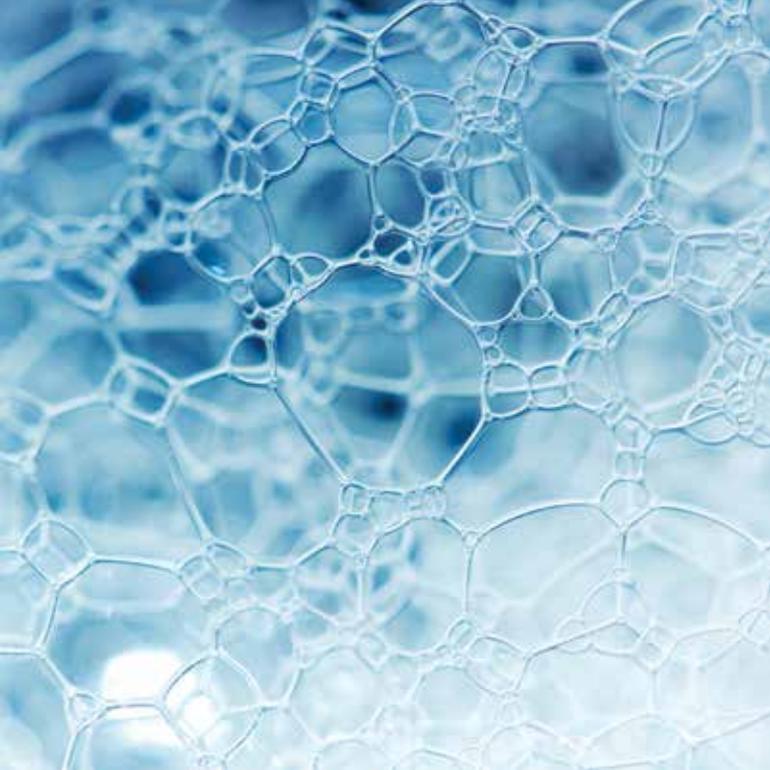
To provide marketable job skills and transitional opportunities for inmates in a professional and safe work environment while providing quality goods and excellent service to our customers at a savings to the citizens of North Carolina.

VISION

To be the vendor of choice for our customers.
To provide valuable inmate job opportunities to increase successful reentry.

CORE VALUES

Product Excellence • Quality Customer Service
Financial Stability • Inmate Skill Development
Professionalism • Mission Focused
Staff Development • Safe Workplace





FROM THE GOVERNOR

"Correction Enterprises operates at no cost to the taxpayers of North Carolina. This vital program provides technical and behavioral job training to inmates so they can obtain and maintain employment when they are released from incarceration. The products produced are high quality, low cost items resulting in lower operating cost for state agencies, further benefiting the taxpayers of North Carolina."

- Pat McCrory, Governor



FROM THE SECRETARY

"Correction Enterprises is committed to meeting its customers' needs and those of taxpaying citizens. The department strives to provide real work experience to incarcerated offenders so that they are able to become productive individuals upon release. Correction Enterprises accomplishes this mission by providing customers with long-lasting, safe, effective and efficient products utilizing current technology and best practices."

- Frank L. Perry, Secretary
NC Department of Public Safety



FROM THE COMMISSIONER

"Correction Enterprises helps reduce recidivism through real world offender job training. This training focuses on developing technical skills, gaining job knowledge and pro-social attitudes which contribute to an offender's successful reentry upon release from incarceration."

- David Guice, Commissioner,
Division of Adult Correction and Juvenile Justice

FROM THE DIRECTOR

In 2014 Correction Enterprises continued on a path of success through growth in inmate job training opportunities, former offender job placements and product sales. Along the way we achieved several important milestones including a 98.9% customer satisfaction rate and increased market share through successful legislation granting the opportunity to sell to private contractors working on public projects.



We remain strongly focused on our five year strategic goals:

- Improve Customer Experience
- Increase Opportunities for Inmate Success
- Increase Market Share
- Maintain Financial Stability
- Improve Operational Efficiencies
- Increase Environmental Responsibility
- Implement New Product Development

By following our plan, we will continue to produce great products; including our most important product produced – a well-trained inmate who is prepared to reenter society as a productive citizen.

As our motto states, “Not just making it right, making it better”, Correction Enterprises is committed to helping make reentry victorious and reducing recidivism through excellent training, hard work and strong partnerships. As we strive to improve our business model and our results, we never forget our stakeholders are the core of our business. It is through the support of the Department of Public Safety, our customers and our dedicated employees that we are successful. Please enjoy our 2014 Annual Report, and thank you for your interest and continued support of NC Correction Enterprises.

- Karen A. Brown, Director
Correction Enterprises

AGENCY OVERVIEW: WHERE WE'VE BEEN AND WHERE WE'RE GOING



Since our inception, Correction Enterprises has always been mission focused. We strive to make a positive impact on the lives of the inmates that work within our plants in hopes their transition back to the private sector will be successful and reduce recidivism for our state. Offering marketable skills and transitional opportunities for inmates continues to be Correction Enterprises' primary focus. Traditionally our priority was teaching inmates hard skills. More recently, we have begun to shift that focus to include more of the soft skills necessary for their long-term success.

Change is a constant for Correction Enterprises in that we are always striving to meet the needs of our customers while creating new opportunities for inmates as well. For example, the Caledonia Farm once grew cotton and raised cattle and pigs. In recent years the farm has moved toward more egg and food grade soy bean production, farm land leasing, and is studying the introduction of various new row crop varieties.

Twenty-two years ago the Print Plant and the License Tag Plant were located at Central Prison. The Print Plant operated on two floors without climate control. Products were primarily forms printed with only black ink. Today the Print Plant is in a modern 60,000-square foot facility providing a wide variety of services from multicolor printing to foil stamping and an array of bindery services. The License Tag Plant was using an antiquated inking and drying system. Today the License Tag Plant is in a modern, efficient, functional operation, using state of the art inking and drying systems. Most recently the plant has implemented digital printing capabilities on license tag sheeting for customer orders.

Quick Copy Services has seen technology changes such as analog to digital copying and is currently doing variable data printing, wide format printing, office signage and framing and matting.

The Correction Enterprises Meat Processing Plant, previously located in Butner, NC before moving to Dunn, NC for a while and then moving to a new modern meat processing plant built in Lillington, NC in 1996. At one time the Meat Processing Plant was involved in the slaughter of pork, beef and poultry but today the plant processes these products from frozen de-boned bulk raw material.

Several Correction Enterprises laundries have gone from antiquated boiler systems to newer, smaller and more efficient boiler systems at a cost of over \$3 million dollars per system. The closing of Caledonia Laundry and consolidation with Sampson Laundry took place in 1999. Laundries continue to improve efficiency at each location with the implementation of a new chemical injection system that improves the quality of linen and results in efficient operations.

Improving efficiencies while cutting costs and at the same time providing inmate jobs is a delicate balance for Correction Enterprises. There has been some consolidation of operations throughout the years where one plant was closed while another plant gained an additional workload because there was capacity to do so. This has occurred within Correction Enterprises sewing, laundry, metal and signage operations through the years.

Correction Enterprises remains a dynamic organization that is constantly looking at how to improve operations and remain viable in the market place. One operation that has evolved into something quite different than what it was originally planned is our Packaging and Distribution Operation located in Apex. At one time the location was primarily a facility that warehoused raw materials for Correction Enterprises plants. It has grown from a 60,000-square foot facility to over 100,000 square feet of storage space. Today it not only houses raw materials for our plants but it is also the vendor for the state oil contract, distribution of textbooks for the Department of Public Instruction, distribution of finished goods manufactured by Correction Enterprises, a distribution arm for the Lanesboro Inmate Packaging Program and provides moving services for





government offices in a five-county local area.

Two of our newest operations are our Braille Transcription Plant and our Service Award Distribution Plant. The Braille Transcription Plant is proud to provide end of grade testing for sight-impaired students of NC and continues to gain new customers. The plant's capacity will allow it to expand operations for future needs. Our Service Award Distribution Plant is off to a great start this year. Customer feedback has been very positive. It has created additional valuable services for several of our manufacturing plants such as woodworking, metal and sewing. We expect our Service Award Distribution Plant to continue to expand for many years to come as we explore and add new products.

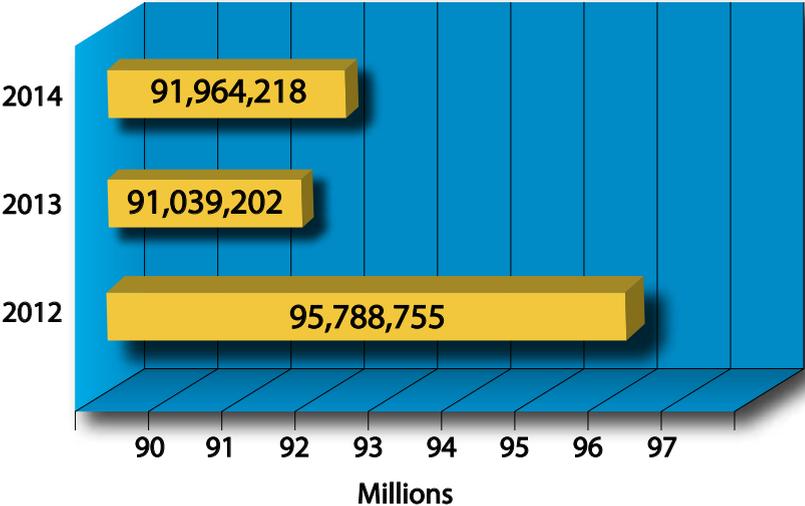
Outside of production, creating a permanent staff position that works to assist inmates in the transition from incarceration to productive, tax-paying citizens has been a positive step for Correction Enterprises. Partnering with the private sector business community while implementing programs like "Thinking for Change" and the "Hidden Workforce Initiative" are reaping results for both inmates and Correction Enterprises.

Our Strategic Plan continues to be the roadmap for Correction Enterprises. We are entering our third year and have made significant strides in several areas of our five year strategic plan. Each year a champion is appointed for each of the seven goals within our strategic plan. This year there is a new champion for each goal and the anticipation of great things is evident already as observed by the enthusiasm exhibited by each new champion.

- Robert Leon, Deputy Director
Correction Enterprises

TOTAL SALES

TOTAL SALES BY FISCAL YEAR



DID YOU KNOW?

Last year, the FARM planted 1,813 acres of soybeans.



OUR FINANCIALS

Balance Sheet

For Fiscal Year Ended June 30, 2014

Current Assets	
Cash	\$ 9,680,287
Accounts Receivable	4,088,465
Less Allowance for Bad Debt	-
Raw Material Inventories	18,079,828
FG Inventories	3,723,315
Investment	-
Total Current Assets	\$35,571,895
Fixed Assets	
Plant and Equipment	\$97,893,337
Less Accumulated Depreciation	(57,995,135)
Net Plant and Equipment	\$39,898,202
Other Assets	
Construction in Progress	\$320,689
TOTAL ASSETS	\$75,790,786
LIABILITIES AND FUND EQUITY	
Current Liabilities	
Accounts Payable	\$3,120,421
Accrued Payroll	14,095
Sales Tax Payable	-
Due to Other Funds	56,788
Deferred Revenue	211,428
Total Current Liabilities	\$3,402,732
Long Term Liabilities	
Compensated Absences	\$1,978,334
TOTAL LIABILITIES	\$5,381,066
Fund Equity	
Contributed Capital	\$20,313,000
Retained Earnings	50,096,719
TOTAL LIABILITIES & FUND EQUITY	\$75,790,786

DID YOU KNOW?

Last year,
the CANNERY
produced
303,596 cases
of canned food.

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Statement of Income

For the Fiscal Year July 1, 2013 to June 30, 2014

OPERATING REVENUES

Sales* \$91,369,695

Miscellaneous Revenue 594,523

Total Operating Revenues 91,964,218

Cost of Sales 76,267,916

Gross Margin \$15,696,302

OPERATING EXPENSES

Selling and Administrative Expenses 6,950,198

Depreciation Expenses 3,567,014

Bad Debt -

Total Operating Expenses \$10,526,212

OPERATING INCOME \$5,170,089

OPERATING TRANSFERS

Transfers Out 2,510,664

Inmate Labor 3,440,780

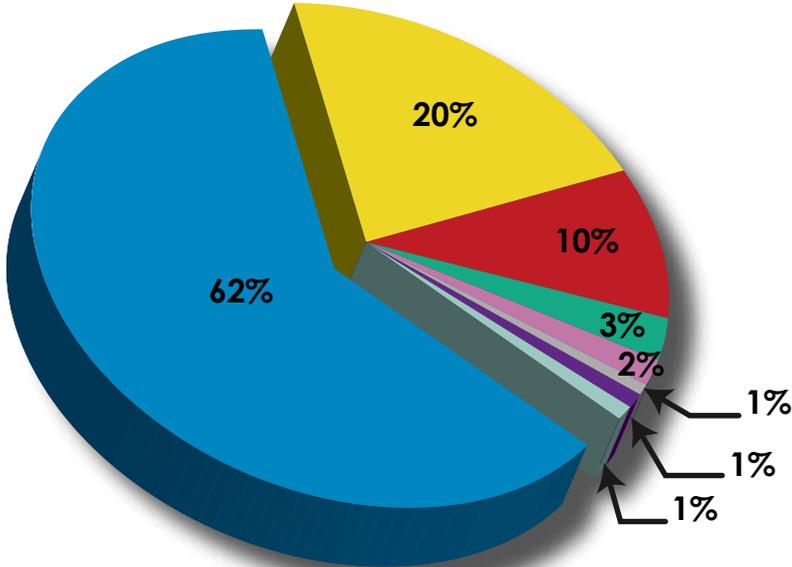
Total Transfer to Other Funds \$5,951,444

NET INCOME (Loss) (\$781,355)

*Includes \$2,254,986 of Correction Enterprises internal sales.

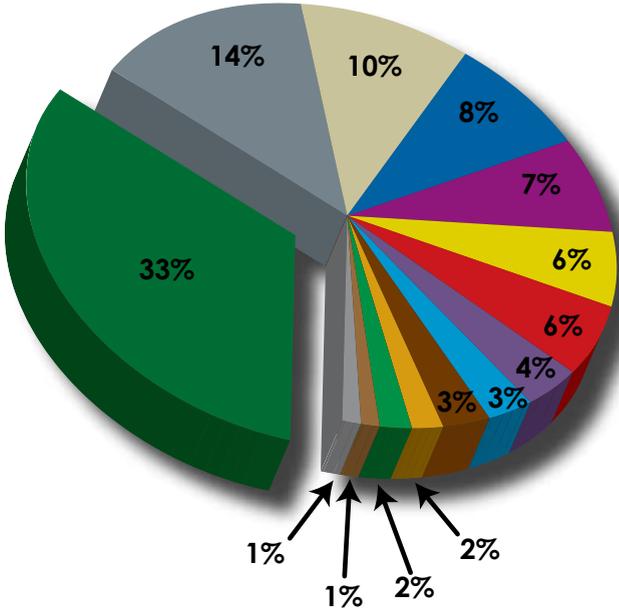


SALES BY CUSTOMER



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

SALES BY PRODUCT



- Food Products (Farm, Cannery, Meat Processing) . . . █
- Sewing Products █
- Laundries █
- Signs █
- Janitorial Products █
- Paint Products █
- Print, Duplicating & Braille █
- Optical █
- License Plates █
- Oil & Oil Related Products █
- Upholstery & Reupholstery █
- Lanesboro Packaging/Moore Awards █
- Woodworking Operations █
- Metal Fabrication █

DID YOU KNOW?

Last year, the PRINT PLANT used 7,135 pounds of Ink.



PRODUCTS AND SERVICES BY FACILITY

DID YOU KNOW?

The
OPTICAL PLANT
produces glasses
for Medicaid,
NC Health Choice,
all inmates and
state employees.

	Administration Raleigh, NC	Offender Jobs	1
	Braille Plant Laurinburg, NC	Offender Jobs	15
	Cannery Tillery, NC	Offender Jobs	158
	Service Award Distribution Plant Carthage, NC	Offender Jobs	10
	Farm Tillery, NC	Offender Jobs	340
	Fresh Produce Warehouse Tillery, NC	Offender Jobs	15
	Inmate Packaging Plant Polkton, NC	Offender Jobs	45
	Janitorial Products Plant Norlina, NC	Offender Jobs	100
	Laundry Asheville, NC	Offender Jobs	55
	Butner, NC	Offender Jobs	55
	Clinton, NC	Offender Jobs	180
	Goldsboro, NC	Offender Jobs	70
	Raleigh, NC	Offender Jobs	10
	Morganton, NC	Offender Jobs	60
	License Tag Plant Raleigh, NC	Offender Jobs	60



Services



Agri-Business



Manufacturing



Recycling

	Meat Processing Plant Lillington, NC	Offender Jobs	86
	Metal Products Plant Polkton, NC	Offender Jobs	50
	Optical Plant Nashville, NC	Offender Jobs	50
	Paint Plant Smithfield, NC	Offender Jobs	50
	Package and Distribution Apex, NC	Offender Jobs	20
	Print Plant Nashville, NC	Offender Jobs	133
	Quick Copy Plant Raleigh, NC	Offender Jobs	50
	Reupholstery Plant Salisbury, NC	Offender Jobs	40
	Sewing Plants Burgaw, NC Elizabeth City, NC Laurinburg, NC Marion, NC Whiteville, NC	Offender Jobs Offender Jobs Offender Jobs Offender Jobs Offender Jobs	110 30 120 120 135
	Sign Plant Bunn, NC	Offender Jobs	205
	Sign Reclaiming Plant Carthage, NC	Offender Jobs	15
	Upholstery Plant Taylorsville, NC	Offender Jobs	35
	Woodworking Plant Taylorsville, NC	Offender Jobs	60

TOTAL OFFENDER JOBS 2,483



INMATE PACKAGING PROGRAM



The Inmate Packaging Plant operation is a Prison Industry Enhancement (PIE) program partnering with Union Supply Group giving inmates from Lanesboro Correction Institution an opportunity to work with hourly wages ranging from \$7.69 - \$8.62. A full-time inmate crew works an average of five to seven weeks per quarter, with a stocking crew of five inmates on full-time employment.

The Inmate Packaging Plant at Lanesboro Correctional Institution is a 30,000-square foot warehouse and packaging operation. The plant is managed and operated with a staff of two Correction

Enterprises

employees and up to 40 inmates. Over a 12 month period the plant continually stocks and prepares quarterly distributions of 12,000 - 20,000 individual orders at a value of \$75 to \$100 per order. It is common to have inventory valued at \$1.5 million to \$2 million in the plant at any given time. The number of different items stocked and



made available for purchase by family members and friends of inmates throughout North Carolina's prison system varies, but can be as many as 125-150 different offerings of non-perishable food items. Items change based on seasonal offerings and order patterns.

Plant layout is designed to make the pulling of selected items and packaging an efficient process.



Inventory is staged next to a conveyor system which passes by 13 pull stations that have 111 active item locations with expansion capabilities up to 275 locations. Items

are pulled; based on an order sheet which specifies item description, product ID and quantity. The items are then placed in a container which is used to accumulate the complete order. All orders are processed through one of ten scanning stations and final-packaged for distribution.

Each order has a bar code for order identification and is scanned individually at the final packing process to assure total accuracy in filling an order. Individual orders going to a specific location are accumulated and combined in a pre-shipping area to be taken by Correction Enterprises' trucking to one of the 59 correctional facilities across the state.

The Inmate Packaging Plant is supplying a service to approximately 38,000 families of inmates while teaching inmates the work skills necessary to work in logistics and creating income, reducing the tax burden of North Carolina residents.

DID YOU KNOW?

North Carolina
Department of
Transportation
is the
PAINT PLANT'S
Largest
Customer for
Highway
Traffic Paint.

THE YEAR IN REVIEW

DID YOU KNOW?

Last year, the
UPHOLSTERY
PLANT
Used 1,614
Yards of
Fabric
and
REUPHOLSTERY
Used 20,000 lbs.
of Pillow Foam.

Braille Plant	Translated 28,170 pages and completed 108 jobs.
Cannery	Processed 303,596 cases of canned food which consisted of 22 different food and drink products.
Farm	Produced 2,854.4 acres of corn, wheat, soybeans, cabbage, turnip greens and daylilies.
Marion Sewing Plant	Produced 124,500 pairs of inmate pants and 60,000 - 70,000 pieces of other items including: shirts, coats, shorts, jumpsuits, coveralls and bags.
Meat Processing Plant	Processed 3.7 million pounds of 38 different items.
Metal Products Plant	Used 80,000 lbs. of stainless steel, 300,000 lbs. of mild steel, 200,000 lbs. of galvanized steel and 30,000 lbs. of aluminum.
Optical Plant	Produced \$3,870,566 in eyeglasses and safety eyewear.
Paint Plant	Produced 465,239 gallons of paint.
Pasquotank Specialty Plant	Embroidered 12,291 shirts and hats.
Print Plant	Printed 34,466,713 impressions, typeset 1,679 orders, saddle-stitched and perfect-bound a combined 1,182,330 books and folded 2,330,224 brochures.

Quick Copy Plant	Produced 19,382,774 black copies and 1,414,713 color copies. Matted and framed 553 jobs and produced 430 signs.
Reupholstery Plant	Produced 6,230 mattresses, 7,896 pillows, 7,392 mattress covers, 1,924 shower curtains and 800 pieces of upholstered furniture.
Scotland Sewing Plant	Cut 1 million yards of broadcloth and 650,000 pounds of jersey knit fabric.
Sign Plant	Produced 134,000 square feet of interstate signs and 564,000 square feet of maintenance and specialty signs.
Sign Reclaiming Plant	Recycled 522,598 lbs. of scrap aluminum signs and license tags. Reworked 1,000 pallets for reuse by Janitorial Plant and Cannery. Recycled 5 semi-loads of extra large pallets and delivered wood to the Woodworking Plant for reuse.
License Tag Plant	Produced 1,629,686 private auto plates and 44,274 specialty plates.
Upholstery Plant	Built 5,455 chairs.
Warehouse	Drove 650,000 miles and delivered 33,377 customer orders.
Woodworking Plant	Used approximately 2,000 square feet of plywood/particle board and 40,000 feet of lumber. They also used 1,220 gallons of stain/sealer/lacquer and 579,503 small items such as wood screws, levelers, nuts, bolts and washers.

SERVICE AWARD DISTRIBUTION PLANT



Service Award Distribution Plant, located in Moore County, is our newest industry. Inmates are transported daily from Sanford Correctional Center. Inmates are trained in warehousing, packaging, shipping, and distribution of service award products. They also learn inventory control procedures and processes and operate equipment related to labeling, packaging and warehouse inventory.



The facility is approximately 2,900 square feet and is staffed with one Correction Enterprises supervisor and a manager, who also manages the Sign Reclaiming Facility at the same location. There are 10 new inmate positions for this operation.

This plant has a five year commitment from the Office of State Human Resources for the Employee Service Awards Program.



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The Awards

Service Award Distribution Plant works closely with several other Correction Enterprises' plants and customer service.

They have furniture and jewelry boxes from the Woodworking plant; bags and embroidered items from the Sewing plants; weather vanes and tissue boxes from the Metal Plant; rain barrels from the Paint Plant; printed materials from the Print Plant and Quick Copy Plant; and framed prints from the Framing and Matting Shop. There are also other Enterprises Facilities that assist, such as the Warehouse which delivers many of the products. All of these plants produce North Carolina made products by inmates who are learning skills as products are made. The program also partners with North Carolina Museum of History which provides many pottery items handmade in North Carolina. They also provide other handcrafted items made by North Carolina Craftsmen and Artists.

Awards can be viewed on Correction Enterprises web site (www.correctionenterprises.com) and on the Office of State Human Resources web site as well (www.oshr.nc.gov).



DID YOU KNOW?

Last year,
the SIGN PLANT
Used
859,000 pounds
of aluminum
and the
METAL PLANT
Used
580,000 pounds
of steel.

WHAT'S NEW AT THE FACILITIES?

DID YOU KNOW?

All of the
LAUNDRIES
Combined did
28,841,842
pounds of
soiled linen
last year.

Broughton Laundry	Completing upfits and adding new equipment.
Cannery	Adding a new forklift. Implementing new techniques in canning and cleaning plant. Updating all canning procedures. Investigating ways to reduce water usage.
Central Prison Laundry	Replacing steam coils.
Chase Laundry	Completing upfits.
Columbus Sewing Plant and Pender Sewing Plant	Producing new Corrections uniforms for 13,000 staff members.
Craggy Laundry	Completing upfits and a new electrical grid.
Farm	Installing a new irrigation system.
Janitorial Products Plant	Adding a new bag machine.

Marion Sewing Plant

Developing and producing new bags for service awards, including a garment bag, sport bag, beach bag, fishing tackle bag and a laptop bag.

Meat Processing Plant

Adding 2 new refrigerated trailers.

Metal Products Plant

Developing new products, including food warming cabinets, tamper-proof soap dispensers and a redesigned stainless steel oven rack.

**Service Award
Distribution Plant**

New Venture! Opened 1/1/14

**Pasquotank Specialty
Products Plant**

Began producing many new products including: eyeglass cases, service awards, back savers and DMV shirts.

Reupholstery Plant

Purchased a new mattress machine.

Sampson Laundry

Starting an apprenticeship program.

Umstead Laundry

Completing a new soiled linen area.

Woodworking Plant

Adding an Oliver classic wood lathe and a quad-cab installation truck.

Reusing pallet wood to manufacture pallet furniture.

Developing a manual that combines all safety programs and enhancements into one book.



SALES & MARKETING TEAM

The Correction Enterprises' sales and marketing team is made up of four product account executives, two print/quick copy account executives, one print estimator and one inmate sales support position. Each account executive is assisted by a customer service representative who works with customers on all sales activities, order placement and tracking. Account executives have defined territories within North Carolina.



 This Braille

The sales and marketing group is responsible for not only making sales calls to new and existing customers, but also developing advertising and promotional campaigns, merchandising, attending large trade shows, product presentations and sales blitzes to targeted customers. Electronic marketing plays a big part in gaining visibility for our products and services. The Correction Enterprises database now has over 120,000 profiles of state government agencies, non-profits, general contractors, architects, universities, community colleges, state employees and public schools. Monthly e-mail blasts to our database help promote products, services and our branded image. Our goal is to have customers identify our brand with excellence in quality and services with the overall vision of having all customers recognize Correction Enterprises as their vendor of choice.

The Sales and Marketing team members focus their efforts on the following industries:

Stainless Steel
Office & Conference Seating
Wood Office Furniture
Printing & Quick Copy
Upholstered Furniture
Reupholstery
Signage
Braille
Janitorial Products
Traffic Paint & Traffic Signs

DID YOU KNOW?

The BRAILLE
PLANT has
20 inmates
who are
Literary
Certified.

Matches
This Text

25

