

CI - INCARCERATED WORKERS
FY 2022 FORECAST vs ACTUAL
By Month

| | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Forecast | 2,151 | 2,151 | 2,151 | 2,151 | 2,151 | 2,151 | 2,151 | 2,151 | 1,973 | 1,973 | 1,973 | 1,973 |
| Actual | 1,738 | 1,738 | 1,749 | 1,687 | 1,697 | 1,704 | 1,613 | 1,387 | 1,617 | 1,627 | 1,612 | 1,604 |
| Variance | (413) | (413) | (402) | (464) | (454) | (447) | (538) | (764) | (356) | (346) | (361) | (369) |
| | -19% | -19% | -19% | -22% | -21% | -21% | -25% | -36% | -18% | -18% | -18% | -19% |

CORRECTIONAL INDUSTRIES - FY 2022 JUNE FISCAL ACTIVITY
YTD and Year-over-Year Comparisons by Industry

October 2022
FINAL

| INDUSTRY/PROGRAM AREA | FY 2022 JUNE (100%) | | | FY 2021 JUNE | YR-over-YR | COMMENTS |
|-----------------------------------|----------------------|----------------------|---------------------|-----------------------|------------------------|--|
| | FORECAST | ACTUAL | VARIANCE | ACTUAL | VARIANCE | |
| SALES | \$ 91,505,911 | \$ 98,344,802 | \$ 6,838,891 | \$ 112,744,085 | \$ (14,399,283) | |
| Communications | \$ 5,134,000 | \$ 5,779,464 | \$ 645,464 | \$ 5,045,054 | \$ 734,410 | |
| Food Manufacturing & Distribution | \$ 14,655,431 | \$ 20,795,495 | \$ 6,140,064 | \$ 18,205,979 | \$ 2,589,516 | |
| Food Service | \$ 31,442,442 | \$ 32,842,842 | \$ 1,400,400 | \$ 33,147,062 | \$ (304,220) | |
| Furniture | \$ 12,385,000 | \$ 9,526,570 | \$ (2,858,430) | \$ 13,408,876 | \$ (3,882,306) | |
| Laundry | \$ 2,729,759 | \$ 2,600,880 | \$ (128,879) | \$ 2,931,987 | \$ (331,107) | |
| Incarcerated Services | \$ 10,372,117 | \$ 12,119,460 | \$ 1,747,343 | \$ 13,380,872 | \$ (1,261,412) | |
| Optical | \$ 4,440,000 | \$ 4,257,888 | \$ (182,112) | \$ 4,493,715 | \$ (235,827) | |
| Textiles | \$ 10,259,062 | \$ 10,152,379 | \$ (106,683) | \$ 21,703,873 | \$ (11,551,494) | FY21 reflects DSHS activity |
| All Other | \$ 88,100 | \$ 269,824 | \$ 181,724 | \$ 426,667 | \$ (156,843) | Transportation (FY 2021 includes Field Crops, Boxes) |

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October 2022
FINAL

| INDUSTRY/PROGRAM AREA | FY 2022 JUNE (100%) | | | FY 2021 JUNE | YR-over-YR | COMMENTS |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|--|
| | FORECAST | ACTUAL | VARIANCE | ACTUAL | VARIANCE | |
| COGS (Primarily Raw Material Usage) | \$ 57,096,126 | \$ 70,164,751 | \$ 13,068,625 | \$ 76,427,440 | \$ (6,262,689) | |
| Communications | \$ 2,940,212 | \$ 3,931,159 | \$ 990,947 | \$ 2,960,590 | \$ 970,569 | II Direct Labor down (\$1.54M Forecast; \$375K PY)  |
| Food Manufacturing & Distribution | \$ 10,000,633 | \$ 15,575,286 | \$ 5,574,653 | \$ 14,601,747 | \$ 973,539 | |
| Food Service | \$ 22,226,668 | \$ 25,895,915 | \$ 3,669,247 | \$ 24,806,132 | \$ 1,089,783 | |
| Furniture | \$ 6,940,113 | \$ 6,656,368 | \$ (283,745) | \$ 7,981,567 | \$ (1,325,199) | |
| Laundry | \$ 714,806 | \$ 586,923 | \$ (127,883) | \$ 695,130 | \$ (108,207) | |
| Incarcerated Services | \$ 5,936,147 | \$ 8,287,890 | \$ 2,351,743 | \$ 8,591,264 | \$ (303,374) | |
| Optical | \$ 1,622,196 | \$ 1,406,659 | \$ (215,537) | \$ 1,703,204 | \$ (296,545) | |
| Textiles | \$ 6,715,352 | \$ 7,824,057 | \$ 1,108,705 | \$ 15,043,116 | \$ (7,219,059) | |
| All Other | \$ (1) | \$ 494 | \$ 495 | \$ 44,690 | \$ (44,196) | |
| | | | | | | |

CORRECTIONAL INDUSTRIES - FY 2022 JUNE FISCAL ACTIVITY
YTD and Year-over-Year Comparisons by Industry

October 2022
FINAL

| INDUSTRY/PROGRAM AREA | FY 2022 JUNE (100%) | | | FY 2021 JUNE | YR-over-YR | COMMENTS | |
|---|----------------------|----------------------|-----------------------|----------------------|-----------------------|--|--|
| | FORECAST | ACTUAL | VARIANCE | ACTUAL | VARIANCE | | |
| OPERATING EXP (Primarily Salary & Ben) | \$ 42,765,903 | \$ 38,995,994 | \$ (3,769,909) | \$ 43,743,498 | \$ (4,747,504) | | |
| Communications | \$ 2,111,288 | \$ 2,092,096 | \$ (19,192) | \$ 1,668,416 | \$ 423,680 | PE Variance -(\$3.20M) Forecast; -(\$3.67M) PY Actual  | |
| Food Manufacturing & Distribution | \$ 5,198,223 | \$ 4,930,701 | \$ (267,522) | \$ 5,394,750 | \$ (464,049) | | |
| Food Service | \$ 12,916,479 | \$ 12,139,903 | \$ (776,576) | \$ 12,786,999 | \$ (647,096) | | |
| Furniture | \$ 5,615,902 | \$ 3,904,746 | \$ (1,711,156) | \$ 5,087,636 | \$ (1,182,890) | | |
| Laundry | \$ 2,297,019 | \$ 2,377,508 | \$ 80,489 | \$ 2,477,157 | \$ (99,649) | | |
| Incarcerated Services | \$ 3,583,155 | \$ 3,430,188 | \$ (152,967) | \$ 3,576,130 | \$ (145,942) | | |
| Optical | \$ 1,551,133 | \$ 1,344,191 | \$ (206,942) | \$ 1,681,706 | \$ (337,515) | | |
| Textiles | \$ 3,002,774 | \$ 2,698,656 | \$ (304,118) | \$ 2,791,463 | \$ (92,807) | | |
| Site Admin and HQ Administration | \$ 5,265,106 | \$ 4,881,098 | \$ (384,008) | \$ 6,076,331 | \$ (1,195,233) | | FY22 YTD does not reflect costs coded to BLT Project |
| Fund Level (Excluding BLT Project) | \$ - | \$ (289,540) | \$ (289,540) | \$ 530,186 | \$ (819,726) | | Primarily Change in Accrued Leave Liability |
| All Other | \$ 1,224,824 | \$ 1,486,447 | \$ 261,623 | \$ 1,672,724 | \$ (186,277) | Program Summary, FC, Boxes, Transportation | |

CORRECTIONAL INDUSTRIES - FY 2022 JUNE FISCAL ACTIVITY
YTD and Year-over-Year Comparisons by Industry

October 2022
FINAL

| INDUSTRY/PROGRAM AREA | FY 2022 JUNE (100%) | | | FY 2021 JUNE | YR-over-YR | COMMENTS |
|------------------------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|--|
| | FORECAST | ACTUAL | VARIANCE | ACTUAL | VARIANCE | |
| OPERATING INCOME/(LOSS) | \$ (8,356,118) | \$ (10,815,942) | \$ (2,459,824) | \$ (7,426,854) | \$ (3,389,088) | |
| Communications | \$ 82,500 | \$ (243,791) | \$ (326,291) | \$ 416,048 | \$ (659,839) | |
| Food Manufacturing & Distribution | \$ (543,424) | \$ 289,508 | \$ 832,932 | \$ (1,790,518) | \$ 2,080,026 | Covid Costs Pass-through (Will continue in FY 2023) |
| Food Service | \$ (3,700,705) | \$ (5,192,975) | \$ (1,492,270) | \$ (4,446,070) | \$ (746,905) | Fiscal-Year-end Closing Maneuvers |
| Furniture | \$ (171,015) | \$ (1,034,543) | \$ (863,528) | \$ 339,673 | \$ (1,374,216) | |
| Laundry | \$ (282,065) | \$ (363,551) | \$ (81,486) | \$ (240,300) | \$ (123,251) | Fiscal Year-end Closing Maneuvers |
| Incarcerated Services | \$ 852,815 | \$ 401,382 | \$ (451,433) | \$ 1,213,478 | \$ (812,096) | |
| Optical | \$ 1,266,671 | \$ 1,507,038 | \$ 240,367 | \$ 1,108,805 | \$ 398,233 | |
| Textiles | \$ 540,936 | \$ (370,335) | \$ (911,271) | \$ 3,869,295 | \$ (4,239,630) | FY21 reflects DSHS activity |
| Site Admin and HQ Administration | \$ (5,265,106) | \$ (4,881,131) | \$ 383,975 | \$ (6,076,329) | \$ 1,195,198 | FY22 YTD does not reflect costs coded to BLT Project |
| Fund Level (Excluding BLT Project) | \$ - | \$ 291,848 | \$ 291,848 | \$ (530,237) | \$ 822,085 | Primarily Change in Accrued Leave Liability |
| All Other | \$ (1,136,725) | \$ (1,219,392) | \$ (82,667) | \$ (1,290,699) | \$ 71,307 | Program Summary, Field Crops, Boxes, Transportation |

CORRECTIONAL INDUSTRIES - FY 2022 JUNE FISCAL ACTIVITY
YTD and Year-over-Year Comparisons by Industry

October 2022
FINAL

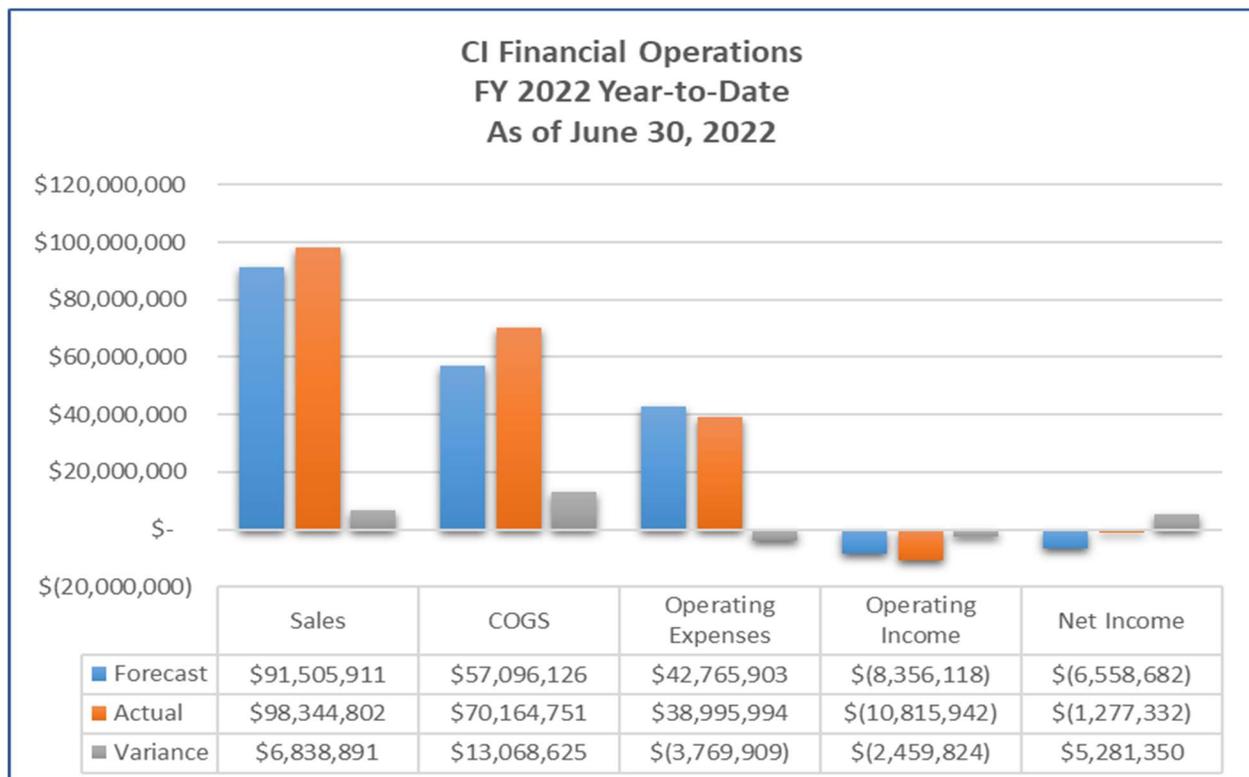
| INDUSTRY/PROGRAM AREA | FY 2022 JUNE (100%) | | | FY 2021 JUNE | YR-over-YR | | COMMENTS |
|------------------------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|--|---|
| | FORECAST | ACTUAL | VARIANCE | ACTUAL | VARIANCE | | |
| NET INCOME/(LOSS) | \$ (6,558,682) | \$ (1,277,332) | \$ 5,281,350 | \$ 6,259,226 | \$ (7,536,558) | | |
| Communications | \$ (84,469) | \$ (374,844) | \$ (290,375) | \$ 331,184 | \$ (706,028) | | LP -(452K); LP Pricing Evaluation in FY 2023 |
| Food Manufacturing & Distribution | \$ (924,188) | \$ (140,430) | \$ 783,758 | \$ (505,671) | \$ 365,241 | | Covid Costs Pass-through (Will continue in FY 2023) |
| Food Service | \$ (5,452,844) | \$ (91,869) | \$ 5,360,975 | \$ (1,144,156) | \$ 1,052,287 | | \$6.17M Fund Reimb; CPM adjustment in FY 2023 |
| Furniture | \$ (931,282) | \$ (1,614,556) | \$ (683,274) | \$ (30,518) | \$ (1,584,038) | | |
| Laundry | \$ (728,373) | \$ (4,916) | \$ 723,457 | \$ (187,445) | \$ 182,529 | | \$734K Fund Reimb; CPP adjustment in FY 2023 |
| Incarcerated Services | \$ 383,579 | \$ (35,992) | \$ (419,571) | \$ 961,694 | \$ (997,686) | | \$36K Net Income after FPP/MPP Loss Reimbursement |
| Optical | \$ 1,102,617 | \$ 1,354,929 | \$ 252,312 | \$ 1,044,153 | \$ 310,776 | | |
| Textiles | \$ 53,009 | \$ (786,283) | \$ (839,292) | \$ 3,627,766 | \$ (4,414,049) | | RM Pricing adjustments; FY21 reflects DSHS activity |
| Site Admin and HQ Administration | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| Fund Level (Excluding ERP Project) | \$ (1,000,000) | \$ (675,140) | \$ 324,860 | \$ (1,014,397) | \$ 339,257 | | Fund Sweep, Accrued Leave and Comp Time Liability |
| All Other | \$ 1,023,269 | \$ 1,091,769 | \$ 68,500 | \$ 3,176,616 | \$ (2,084,847) | | Program Summary, Field Crops, Boxes, Transportation |

Financial Operations

FY 2022 – July 2021 through June 2022

FY 2022 Financial Overview

Correctional Industries (CI) continues to experience the financial impacts of the Covid-19 pandemic, with June 2022 financials reflecting an actual Operating Loss of -\$10.82M and a Net Loss of -\$1.28M fiscal year-to-date. The following provides a brief summary of FY 2022 year-to-date activity by key indicator.



Key Indicators

- **Sales**

Through June 2022, CI experienced \$98.34M in actual sales, which exceed forecasted sales by \$6.84M. The positive variance is primarily due to Food Manufacturing & Distribution (+\$6.14M), Incarcerated Services (+\$1.75M), Food Service, (+\$1.40M), and Communications (+\$645K). These increases are partially offset by shortfalls in other industries, including Furniture (-\$2.86M), Optical (-\$182K), Laundry Service (-\$129K), and Textiles (-\$107K). Food Manufacturing & Distribution experienced heightened pass-through product sales due to Covid-related production impacts as well as increased overall demand. Reduced Furniture sales reflect Covid impacts on production. It should be noted Furniture ended the fiscal year with more than \$3M in pending orders to be fulfilled under an Office of Financial Management waiver, which allowed agencies to receive certain furniture orders after June 30, 2022. Once the orders are fulfilled, the sales will be recognized in FY 2023.

- **Cost of Goods Sold (COGS)**

Through June 2022, CI experienced \$70.16M in actual COGS, which exceed forecasted COGS by \$13.07M. While increased Raw Material Usage is expected with higher sales activity, CI continues to experience heightened raw material costs due to Covid and other factors (e.g., inflation). Going forward, CI will maintain an emphasis on actively reviewing current raw material costs prior to quoting and fulfilling orders. Doing so allows timely pricing adjustments, where necessary and appropriate, to promote full cost recovery.

- **Operating Expenses**

Through June 2022, CI experienced \$39M in actual Operating Expenses, or \$3.77M below forecast. The variance is primarily attributable to Personnel Expenses (-\$3.20M), Incarcerated Indirect Labor (-\$544K), and Contracted Services (-\$271K). While there was significant cost avoidance for the year, overall, CI also experienced heightened expenses in certain areas, including Purchased Services (+\$300K) and Fuel (+\$127K). The increase in Purchased Services was primarily attributable to Food Manufacturing and Distribution (e.g., Cold Storage) and CI Headquarters (e.g., Painting, Security, and Janitorial Services)

- **Operating Income/(Loss)**

Through June 2022, CI experienced an actual Operating Loss of -\$10.82M, exceeding the forecasted loss by (\$2.46M). Beyond non-revenue generating program areas (e.g., Headquarters Administration), operating losses include Food Service (-\$5.19M), Furniture (-\$1.03M), Textiles (-\$370K), Laundry (-\$364K), and Communications (-\$244K) lines-of business.

- **Net Income/(Loss)**

Through June 2022, CI experienced a Net Loss of -\$1.28M, representing a \$5.28M positive variance when compared to forecast. The variance is attributable to Fund Reimbursement activity, reflecting year-end closing adjustments partially offsetting shortfalls in Food Service and Laundry Service as well as certain equipment replacement. Remaining net losses include Furniture (-\$1.61M), Textiles (-\$786K), Communications (-\$375K), Food Manufacturing & Distribution (-\$140K), Food Service (-\$92K), and Laundry Service (-\$5K), after indirect costs are allocated to respective lines-of-business. Incarcerated Services experienced a Net Loss of (-\$36K) for the fiscal year. However, CI anticipates reimbursement from an outside vendor, fully offsetting losses incurred by the Food Package Program and Monthly Property Program in FY 2022, which would have resulted in modest Net Income for the industry.

It should be noted overall Net Income/(Loss) does not reflect a \$5.97M Net Loss associated with Business Led Transformation (BLT) Project expenses. BLT Project costs are excluded from the CI Financial Summary to avoid skewing financial reporting for CI operations.
