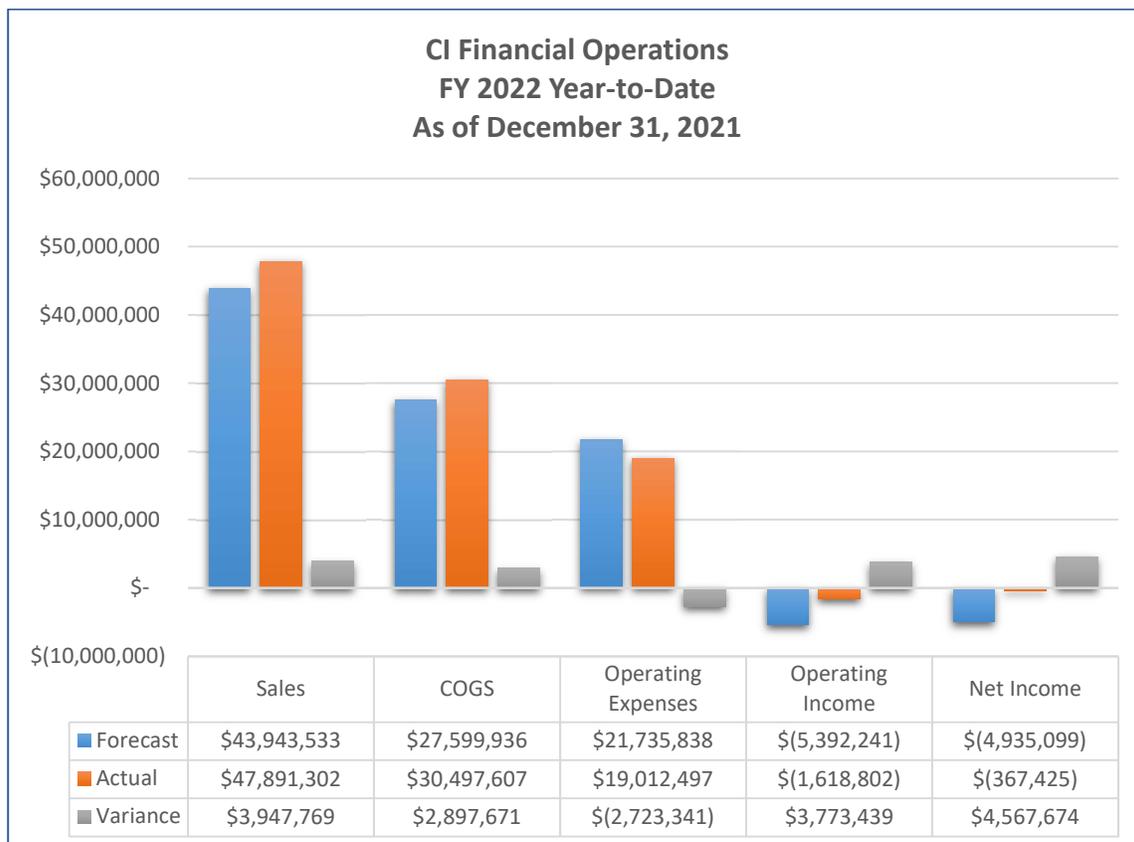


Financial Operations

FY 2022 – July through December 2021

FY 2022 Financial Overview

Correctional Industries (CI) continues to experience the financial impacts of the Covid-19 pandemic, with December 2021 financials reflecting a -\$1.62M Operating Loss and -\$367K Net Loss year-to-date. The following provides a brief summary of FY 2022 year-to-date activity by key indicator.



Key Indicators

- **Sales**

Through December 2021, CI has experienced \$47.89M in actual sales, which exceed forecasted sales by \$3.95M. The positive variance is primarily due to Incarcerated Services (+\$1.56M), Food Manufacturing & Distribution (+\$1.49M), Food Service, (+\$819K), and Communications (+\$526K). These increases are partially offset by shortfalls in other industries, including Textiles (-\$542K) and Laundry (-\$26K). Textiles year-to-date sales have been impacted by a Covid-related invoicing backlog, which is anticipated to be resolved over the coming months.

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

Through December 2021, CI has experienced \$30.50M in actual COGS, which exceed forecasted COGS by \$2.90M. 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. This will remain an ongoing focus when evaluating product pricing to ensure full cost recovery.

- **Operating Expenses**

Through December 2021, CI has experienced \$19.01M in actual Operating Expenses, or \$2.72M below forecast year-to-date. The variance is primarily attributable to Personnel Expenses (\$1.60M), Contracted Services (\$474K), and Incarcerated Indirect Labor (\$246K).

- **Operating Income/(Loss)**

Through December 2021, CI has experienced an Operating Loss of -\$1.62M, representing a \$3.77M positive variance when compared to forecast. Beyond non-revenue generating program areas (e.g., Headquarters Administration), year-to-date operating losses include Food Service (-\$718K), Furniture (-\$687K), Laundry (-\$81K), and Textiles (-\$8K) lines-of business.

- **Net Income/(Loss)**

Through December 2021, CI has experienced a Net Loss of -\$367K, representing a \$4.57M positive variance when compared to forecast. Year-to-date losses include Food Service (-\$1.38M), Furniture (-\$1.02M), Laundry (-\$274K), and Textiles (-\$226K), after indirect costs are allocated to respective lines-of-business. There are corrective actions anticipated via Food Service and Laundry Service supplemental funding. In addition, it should be noted overall Net Income does not reflect \$1.92M in year-to-date Business Led Transformation Project expenses, which are excluded from the CI Financial Summary to avoid skewing financial reporting for CI operations.

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
Forecast	2,151	2,151	2,151	2,151	2,151	2,151	-	-	-	-	-
Actual	1,738	1,738	1,749	1,687	1,697	1,704	-	-	-	-	-
Variance	(413)	(413)	(402)	(464)	(454)	(447)	-	-	-	-	-
	-19%	-19%	-19%	-22%	-21%	-21%	0%	0%	0%	0%	0%

CORRECTIONAL INDUSTRIES - FY 2022 DECEMBER FISCAL TRENDS
YTD and Year-over-Year Comparisons by Industry

Feb 2022
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INDUSTRY/PROGRAM AREA	FY 2022 DEC (50%)			FY 2021 DEC	YR-over-YR	COMMENTS
	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
SALES	\$ 43,943,533	\$ 47,891,302	\$ 3,947,769	\$ 55,907,176	\$ (8,015,874)	
Communications	\$ 2,362,450	\$ 2,887,973	\$ 525,523	\$ 1,786,613	\$ 1,101,360	
Food Manufacturing & Distribution	\$ 7,545,069	\$ 9,034,275	\$ 1,489,206	\$ 8,848,019	\$ 186,256	
Food Service	\$ 15,843,670	\$ 16,662,345	\$ 818,675	\$ 16,202,157	\$ 460,188	Sales exceed forecast for all Food Svc operations
Furniture	\$ 4,418,000	\$ 4,434,970	\$ 16,970	\$ 3,118,755	\$ 1,316,215	
Laundry	\$ 1,367,830	\$ 1,342,171	\$ (25,659)	\$ 1,493,563	\$ (151,392)	
Incarcerated Services	\$ 5,125,720	\$ 6,689,157	\$ 1,563,437	\$ 6,392,990	\$ 296,167	
Optical	\$ 2,180,000	\$ 2,236,509	\$ 56,509	\$ 1,813,329	\$ 423,180	
Textiles	\$ 5,058,744	\$ 4,517,031	\$ (541,713)	\$ 16,076,346	\$ (11,559,315)	FY 22 Invoicing Backlog; FY21 reflects DSHS activity
All Other	\$ 42,050	\$ 86,871	\$ 44,821	\$ 175,404	\$ (88,533)	Transportation (FY 2021 includes Field Crops, Boxes)

CORRECTIONAL INDUSTRIES - FY 2022 DECEMBER FISCAL TRENDS
YTD and Year-over-Year Comparisons by Industry

Feb 2022
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INDUSTRY/PROGRAM AREA	FY 2022 DEC (50%)			FY 2021 DEC	YR-over-YR	COMMENTS
	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
COGS (Primarily Raw Material Usage)	\$ 27,599,936	\$ 30,497,607	\$ 2,897,671	\$ 35,917,894	\$ (5,420,287)	II Direct Labor down across CI (\$672K Fcast; \$45K PY)  FY21 reflects DSHS activity FY 2021 includes Field Crops, Boxes
Communications	\$ 1,388,615	\$ 1,835,625	\$ 447,010	\$ 936,790	\$ 898,835	
Food Manufacturing & Distribution	\$ 5,148,068	\$ 6,126,438	\$ 978,370	\$ 6,330,599	\$ (204,161)	
Food Service	\$ 11,192,085	\$ 11,296,669	\$ 104,584	\$ 11,954,887	\$ (658,218)	
Furniture	\$ 2,460,391	\$ 3,004,098	\$ 543,707	\$ 1,649,932	\$ 1,354,166	
Laundry	\$ 357,609	\$ 307,111	\$ (50,498)	\$ 355,092	\$ (47,981)	
Incarcerated Services	\$ 2,931,301	\$ 3,966,388	\$ 1,035,087	\$ 2,962,390	\$ 1,003,998	
Optical	\$ 797,530	\$ 706,569	\$ (90,961)	\$ 689,307	\$ 17,262	
Textiles	\$ 3,324,337	\$ 3,254,589	\$ (69,748)	\$ 10,997,455	\$ (7,742,866)	
All Other	\$ -	\$ 120	\$ 120	\$ 41,442	\$ (41,322)	

CORRECTIONAL INDUSTRIES - FY 2022 DECEMBER FISCAL TRENDS
YTD and Year-over-Year Comparisons by Industry

Feb 2022
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INDUSTRY/PROGRAM AREA	FY 2022 DEC (50%)			FY 2021 DEC	YR-over-YR	COMMENTS	
	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE		
OPERATING EXP (Primarily Salary & Ben)	\$ 21,735,838	\$ 19,012,497	\$ (2,723,341)	\$ 20,973,849	\$ (1,961,352)		
Communications	\$ 1,378,507	\$ 934,315	\$ (444,192)	\$ 681,697	\$ 252,618	PE Variance -(\$1.60M) Forecast; -(\$1.64) PY Actual 	
Food Manufacturing & Distribution	\$ 2,686,486	\$ 2,385,553	\$ (300,933)	\$ 2,710,895	\$ (325,342)		
Food Service	\$ 6,472,387	\$ 6,083,968	\$ (388,419)	\$ 6,266,212	\$ (182,244)		
Furniture	\$ 2,669,258	\$ 2,117,973	\$ (551,285)	\$ 2,423,194	\$ (305,221)		
Laundry	\$ 1,165,180	\$ 1,116,465	\$ (48,715)	\$ 1,268,316	\$ (151,851)		
Incarcerated Services	\$ 1,800,376	\$ 1,731,720	\$ (68,656)	\$ 1,641,900	\$ 89,820		
Optical	\$ 778,041	\$ 679,848	\$ (98,193)	\$ 777,521	\$ (97,673)		
Textiles	\$ 1,556,443	\$ 1,270,625	\$ (285,818)	\$ 1,347,909	\$ (77,284)		
Site Admin and HQ Administration	\$ 2,613,143	\$ 2,463,032	\$ (150,111)	\$ 2,956,876	\$ (493,844)		FY22 YTD does not reflect costs coded to BLT Project
Fund Level (Excluding BLT Project)	\$ -	\$ (511,869)	\$ (511,869)	\$ 130,481	\$ (642,350)		Primarily Change in Accrued Leave Liability
All Other	\$ 616,017	\$ 740,867	\$ 124,850	\$ 768,848	\$ (27,981)	Program Summary, FC, Boxes, Transportation	

CORRECTIONAL INDUSTRIES - FY 2022 DECEMBER FISCAL TRENDS
YTD and Year-over-Year Comparisons by Industry

Feb 2022
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INDUSTRY/PROGRAM AREA	FY 2022 DEC (50%)			FY 2021 DEC	YR-over-YR	COMMENTS
	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
OPERATING INCOME/(LOSS)	\$ (5,392,241)	\$ (1,618,802)	\$ 3,773,439	\$ (984,567)	\$ (634,235)	
Communications	\$ (404,672)	\$ 118,033	\$ 522,705	\$ 168,126	\$ (50,093)	
Food Manufacturing & Distribution	\$ (289,484)	\$ 522,283	\$ 811,767	\$ (193,474)	\$ 715,757	
Food Service	\$ (1,820,801)	\$ (718,292)	\$ 1,102,509	\$ (2,018,942)	\$ 1,300,650	DP pending; CPM adjustment TBD
Furniture	\$ (711,650)	\$ (687,101)	\$ 24,549	\$ (954,371)	\$ 267,270	Monitoring
Laundry	\$ (154,959)	\$ (81,405)	\$ 73,554	\$ (129,844)	\$ 48,439	DP pending; CPP adjustment TBD
Incarcerated Services	\$ 394,043	\$ 991,049	\$ 597,006	\$ 1,788,700	\$ (797,651)	
Optical	\$ 604,429	\$ 850,092	\$ 245,663	\$ 346,501	\$ 503,591	
Textiles	\$ 177,964	\$ (8,183)	\$ (186,147)	\$ 3,730,981	\$ (3,739,164)	FY21 reflects DSHS activity
Site Admin and HQ Administration	\$ (2,613,143)	\$ (2,463,033)	\$ 150,110	\$ (2,956,867)	\$ 493,834	FY22 YTD does not reflect costs coded to BLT Project
Fund Level (Excluding BLT Project)	\$ -	\$ 511,874	\$ 511,874	\$ (130,478)	\$ 642,352	Change in Accrued Leave Liability
All Other	\$ (573,968)	\$ (654,119)	\$ (80,151)	\$ (634,899)	\$ (19,220)	Program Summary, Field Crops, Boxes, Transportation

CORRECTIONAL INDUSTRIES - FY 2022 DECEMBER FISCAL TRENDS
YTD and Year-over-Year Comparisons by Industry

Feb 2022
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INDUSTRY/PROGRAM AREA	FY 2022 DEC (50%)			FY 2021 DEC	YR-over-YR	COMMENTS
	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
NET INCOME/(LOSS)	\$ (4,935,099)	\$ (367,425)	\$ 4,567,674	\$ (183,022)	\$ (184,403)	
Communications	\$ (486,119)	\$ 40,984	\$ 527,103	\$ 77,490	\$ (36,506)	
Food Manufacturing & Distribution	\$ (478,044)	\$ 307,721	\$ 785,765	\$ (402,300)	\$ 710,021	
Food Service	\$ (2,701,516)	\$ (1,379,198)	\$ 1,322,318	\$ (2,754,419)	\$ 1,375,221	DP pending; CPM adjustment TBD
Furniture	\$ (1,089,930)	\$ (1,024,903)	\$ 65,027	\$ (1,330,212)	\$ 305,309	Monitoring
Laundry	\$ (372,484)	\$ (273,995)	\$ 98,489	\$ (363,822)	\$ 89,827	DP pending; CPP adjustment TBD
Incarcerated Services	\$ 161,422	\$ 767,466	\$ 606,044	\$ 1,564,398	\$ (796,932)	
Optical	\$ 524,336	\$ 775,070	\$ 250,734	\$ 254,024	\$ 521,046	
Textiles	\$ (59,159)	\$ (225,975)	\$ (166,816)	\$ 3,502,998	\$ (3,728,973)	Monitoring; FY21 reflects DSHS activity
Site Admin and HQ Administration	\$ -	\$ -	\$ -	\$ -	\$ -	
Fund Level (Excluding ERP Project)	\$ (747,168)	\$ 202,011	\$ 949,179	\$ (940,416)	\$ 1,142,427	Fund Sweep, Accrued Leave and Comp Time Liability
All Other	\$ 313,563	\$ 443,394	\$ 129,831	\$ 209,237	\$ 234,157	Program Summary, Field Crops, Boxes, Transportation