



2022
Annual Report

ARIZONA CORRECTIONAL INDUSTRIES

HARVESTING TECHNIQUES FOOD PROCESSING TYPOGRAPHY
 OFFICE ADMINISTRATION UPHOLSTERY TECHNIQUES TEAMWORK
COMPUTER TECHNOLOGY SALES **CONSTRUCTION** JANITORIAL
 TYPING PROPOSAL WRITING
 INVENTORY CONTROL MARKETING REPORT WRITING
 WILD HORSE TRAINING PLANNING CROP PLANTING
 MACHINE MECHANICS
 WELDING SIX SIGMA TECHNIQUES TRUSS BUILDING
 AVIATION DEMOLITION DIESEL MECHANIC DIGITAL PRINTING
 BODY REPAIR ELECTRICAL REPAIR SANDBLASTING CREATIVITY
 PAYROLL PROCESSING GENERAL MAINTENANCE
 CONFLICT MANAGEMENT RESPONSIBILITY
 ANIMAL HUSBANDRY ROBOTIC PACKAGING
 REPORT WRITING **WOOD WORKING**
 PREPRESS OPERATOR EFFECTIVE COMMUNICATION
WAREHOUSE FULFILLMENT
 GRAPHIC DESIGN TELEPHONE ETIQUETTE
 HEAVY EQUIPMENT OPERATION
 POWDER COATING
 LARGE PART PACKAGING
 ACCOUNTS RECEIVABLE
 HEAVY VEHICLE REPAIR
 COORDINATION FABRICATION
 USED PART DISTRIBUTION
 TASK DELEGATION CRAFTSMANSHIP
 OFFSET PRINTING MANUFACTURING LEADERSHIP
 SANDBLASTING **WELDING** VEHICLE WRAP
 MACHINE MAINTENANCE STRATEGIC THINKING
 INTERACTIVE MEDIA DESIGN WILD HORSE MANAGEMENT

ADAPTABILITY

COLD CALLING



PATTERN MAKING

DIPLOMACY

MACHINE MECHANICS

PHOTO EDITING

FRAME STRAIGHTENING

CRITICAL THINKING

QUALITY CONTROL

CUSTOMER SERVICE

AIRCRAFT SALVAGE

SCREEN PRINTING

FARMING

ACCOUNTS PAYABLE INVENTORY MANAGEMENT

ARIZONA CORRECTIONAL INDUSTRIES



From the Assistant Director



As we celebrate 35 years as Arizona Correctional Industries (ACI), it is a privilege to be leading this dynamic, mission driven, and unique division of the Arizona Department of Corrections, Rehabilitation, and Reentry.

FY21-22 saw a strong return to normalcy. ACI metal fabrication and wood shops took on some large scale door and furniture projects. Vocational programs resumed with new opportunities replacing some of the loss that occurred during the COVID-19 pandemic. This combination of factors propelled ACI to its highest sales year ever.

2021 BUSINESS HIGHLIGHTS

Rebounding from the \$35.2 million in sales from the previous year, ACI surpassed all expectations with an impressive \$54.1 million in sales.

Part of this year's success lies with the conscious efforts ACI is making to rethink our manufacturing operations to minimize disruptions from supply chains and virus outbreaks, increase predictability, and bring supply chain sources closer to our operations.

Our other key success metrics showed growth with inmate working hours of 3.5 million, and net income of \$6.6 million. Inmate pay was \$13.8 million.

GUIDED BY PURPOSE

ACI programs differ from other work programs managed by the Department of Corrections, in several ways. ACI programs mimic the manufacturing and service activities of the private sector providing more marketable skills for inmates for eventual private sector employment. ACI achieves these goals by developing partnerships with state agencies,

municipalities, school districts, private sector businesses, and alliances throughout the state. These partnerships create demand for ACI products and services that create revenue growth and inmate employment at each of ACI's owned and operated shops and vocational programs.

The utilization of these jobs has a direct and positive impact on the State of Arizona budget. The employment of state workers through ACI as well as the employment of inmates, contributes directly to our communities. Vocational trade inmate wage deductions go to the State General Fund, victim and court restitution, family support, and in many cases an inmate savings account.

As we celebrate ACI's 35th Anniversary, mindful of the unique challenges and responsibilities, we are thankful for the Department's leadership. To all the ACI employees, I thank you for your hard work and dedication.

Through all of its 35 years, ACI has never lost sight of our mission to create innovative solutions and products for customers while helping thousands of inmates learn viable work skills.

Sincerely,

A handwritten signature in black ink that reads "Brian Radecki".

Brian Radecki
CEO/Assistant Director





From the Deputy Assistant Director



As one of the longest-tenured programs within the Arizona Department of Corrections, Rehabilitation, and Reentry, ACI continues to provide innovative opportunities for inmate growth and development.

Similar to companies and industries across the nation, post-COVID-19 staffing shortages have been prevalent for ACI over the last year. The pandemic has required the adoption of new ways of working. Organizations like ours must re-imagine the way we work and the role we play in creating safe, productive, and enjoyable opportunities for our staff and employees.

ACI employs incarcerated individuals across all of our owned and operated business units, including our Central Office. Skills that people learn during these voluntary work positions range from CNC machinist to welder, animal husbandry to industrial sewing, and printing and signage to graphic design. Additional learned-skills are put into action at our Central Office as our sales, customer service, and accounting departments receive support from ASPC-Perryville prison.

On that note, I am proud to say that some of our best employees have joined us full-time after their release from incarceration. In fact, ACI now has five former-offenders who serve on our staff at our central administrative offices after receiving two or more years of on-the-job training. These individuals along with many others are living proof that ACI does more than provide opportunities and skills to those incarcerated — we support, empower, and employ people for a successful life upon release from prison.

As we look toward a new fiscal year, we are excited to be reinvesting our profits to build an auto upfit and maintenance facility and expand our wood shop. In addition, we are planning an upgrade to our inventory management technology (creating more efficient reporting), which will provide a new set of skills that are in line with warehousing jobs currently available across the state.

ACI will always strive to expand our capabilities while simultaneously providing new opportunities for incarcerated people across Arizona— and I am grateful for the hardworking ACI team members who assist in that mission each day.

Sincerely,

A handwritten signature in blue ink that reads "Gail Fenkell".

Gail Fenkell
Deputy Assistant Director



Patent Pending Door Design



In 2019, ADCRR made plans to change out every sliding door at one of the state correctional facilities where they experienced a systems and structural door/lock failure. Our collective design plan was to re-engineer the current metal doors and transform each one into a swinging door with a detention-style locking system. We went back to the basics—a door system known to work. This change has proven to be effective and there have been little to no issues. We were also able to save our state millions of tax payer dollars because the design, fabrication, and welding was done in house at ACI's Metal Fabrication facility in Florence.

The innovative solution was a collaborative effort between ACI certified welders and staff, as well as experienced correctional officers who provided recommendations for various improvements, to safety and security.

These door improvements (and successes) led us to pursue the patent process and subsequent application for multiple patents for some of the unique design features.

Today, we're ramping-up the production of these simple, innovative, and effective doors at several other prison complexes and are currently receiving interest from other state institutions who may want our expertise as they move in this direction. We may also provide consultation services to other State Correctional Industries to manufacture these doors in their own facilities.



ACI Supports Arizona Business During Ongoing Labor Challenges

Addressing housing needs and the middle-class, President Obama visited AZ in the summer of 2013 and toured Erickson Companies. Honoring building-industry workers as he visited the provider of turnkey framing solutions for major home builders in Arizona.

After a steady growth in business in 2016, Erickson in conjunction with the AZ Governor's office approached the Arizona Department of Corrections and ACI about their vocational programs because they were having increasing difficulty putting together adequate work crews near their Chandler facility. The resulting vocational program that started there has been a noteworthy success.

With increasing demand and unprecedented growth in Arizona during FY 2019, Erickson began working with the Arizona Home



"It's good to give everybody a second chance" Jeff Carlstrom
General Manager



"It's a great resource for when I get out - I'm learning a whole new trade." Juan Carlos

Builders Association and the second chance program that operated out of the Arizona State Prison Complex Lewis in Buckeye, AZ. Erickson was looking for a more efficient and effective way to address the construction needs of the expanding west valley and began working with the ADCRR operations and the Warden's staff, to expand their partnership with ACI. By creating a small framing operation inside the Arizona State Prison Complex Lewis, they employ 16 inmates who are learning much sought-after carpentry skills.

Several programs like the one at Erickson Companies are giving inmates the skills needed to meet the robust construction needs currently happening all over Arizona. Post incarcerated individuals have been hired at several of the ACI vocational partnerships and according to Brian Radecki ACI CEO, "We will continue to provide the training and skill sets these inmates need to be successful in the construction trade".



"I was in a totally different field before I was incarcerated. Now I have learned to measure and cut wood, and read blue prints. In the year I have been here the program has taught me so much. It has prepared me for a return to society as a productive citizen." Carlos





FINANCIAL STATEMENTS

(UNAUDITED)

YEAR ENDING JUNE 30TH, 2022

ARIZONA DEPARTMENT OF CORRECTIONS REHABILITATION AND REENTRY



	2022	2021
ASSETS		
CURRENT ASSETS		
CASH IN BANK & ON HAND	500	2,035
CASH AND DEPOSIT WITH TREASURER	18,888,973	11,437,919
ACCOUNTS RECEIVABLE - NET	9,681,707	5,025,517
INVENTORIES	9,580,218	5,682,509
PREPAID EXPENSES	232,758	416,408
TOTAL CURRENT ASSETS	\$ 38,384,157	\$ 22,564,388
PROPERTY & EQUIPMENT - NET	5,297,006	6,688,765
LONG TERM - OTHER ASSETS:		
DEFERRED EMPLOYER CONTRIB.	2,665,553	2,696,677
TOTAL LONG TERM - OTHER ASSETS	2,665,553	2,696,677
TOTAL ASSETS	\$ 46,346,717	\$ 31,949,830
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	788,411	1,002,933
ACCRUED PAYROLL & BENEFITS	342,406	707,227
ACCRUED COMPENSATION	654,136	705,928
ACCRUED LIABILITIES	3,026,060	2,025,893
TOTAL CURRENT LIABILITIES	\$ 4,811,013	\$ 4,441,981
NONCURRENT LIABILITIES		
DEFERRED REVENUE	156,306	173,355
NET PENSION/OPEB LIABILITY	8,880,111	12,368,845
TOTAL NONCURRENT LIABILITIES	\$ 9,036,417	\$ 12,542,200
LONG TERM PENSION		
DEFERRED PENSION/OPEB INFLOW	3,573,527	525,467
TOTAL LONG TERM PENSION	3,573,527	525,467
TOTAL LIABILITIES	\$ 17,420,957	\$ 17,509,648
EQUITY		
CONTRIBUTED CAPITAL	2,463,077	2,463,077
CONTRIBUTED LAND/BUILDING	741,162	741,162
RETAINED EARNINGS	19,105,961	10,312,217
CURRENT PROFIT(LOSS)	6,615,560	923,726
TOTAL EQUITY	\$ 28,925,760	\$ 14,440,182
TOTAL LIABILITIES & EQUITY	\$ 46,346,717	\$ 31,949,830

Statement of Operations

	2022	2021
SALES	54,066,547	35,174,756
COST OF GOODS SOLD	43,917,519	31,235,986
GROSS PROFIT	10,149,028	3,938,770
OPERATING EXPENSES		
SELLING	514,820	700,396
GENERAL AND ADMINISTRATIVE	2,761,972	2,356,620
TOTAL OPERATING EXPENSES	3,276,792	3,057,016
NON-OPERATING REVENUE/(EXPENSE)		
INVESTMENT INCOME	23,866	36,628
MISC. INCOME	6,155	(216)
NET GAIN/(LOSS) ON EQUIPMENT DISPOSAL	(286,697)	5,560
NET NON-OPERATING REVENUE/(EXPENSE)	(256,676)	41,972
INCOME BEFORE TRANSFERS	6,615,560	923,726
TRANSFERS TO STATE FROM ARIZONA FUNDS	7,870,018	2,767,414
TOTAL NET ASSETS, JULY 1	14,440,182	10,749,042
TOTAL NET ASSETS, JUNE 30	28,925,760	14,440,182

	2022	2021
Cash flows from operating activities:		
Operating Income	\$ 6,585,539	\$ 735,617
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,467,386	1,454,070
(Increase)/Decrease in accounts receivable	(4,656,190)	79,278
(Increase)/Decrease in inventories	(3,897,709)	(1,416,898)
(Increase)/Decrease in prepaid expenses	183,650	(111,485)
Increase/(Decrease) in accounts payable	(214,522)	559,447
Increase/(Decrease) in accrued payroll & employee benefits	(364,821)	(12,243)
Increase/(Decrease) in accrued compensation	(51,792)	(38,011)
Increase/(Decrease) in deferred revenue	(17,049)	0
Increase/(Decrease) in other accrued liabilities	1,000,167	(227,782)
(Increase)/Decrease in long term deferred pension contribution	31,124	(810,245)
Increase/(Decrease) in long term pension liability	(440,674)	335,146
Net cash provided (used) by operating activities	\$ (374,892)	\$ 546,894
Cash flows from noncapital financing activities:		
Cash transfer (to) from DOC	7,870,018	2,767,414
Net cash provided (used) for noncapital financing activities	\$ 7,870,018	\$ 2,767,414
Cash flows from capital and related financing activities:		
Acquisition and construction of property, plant and equipment	(362,325)	(562,666)
Gain on disposal of fixed assets	286,697	5,560
Misc cash proceeds	6,155	(256)
Net cash provided (used) for capital and related financing activities	\$ (69,473)	\$ (557,362)
Cash flows from investing activities:		
Interest receipts on investments	23,866	36,628
Net cash provided (used) by investing activities	\$ 23,866	\$ 36,628
Net increase (Decrease) in cash & cash equivalents	7,449,519	2,793,574
Beginning cash & cash equivalents balance	11,439,954	8,646,380
Ending cash & cash equivalents balance	\$ 18,889,473	\$ 11,439,954

HIGHLIGHTING SUCCESSES

OWNED & OPERATED INDUSTRIES



- ACI continues the production on the upgrade of cell doors at other state prison complexes throughout Arizona.
- ACI designed and completed furniture in the spring of 2022 for the ADCRR move to its new headquarters in downtown Phoenix in September.



LA CASA DULCE, LLC

- La Casa Dulce LLC, (Bungalows) contracted with ACI to build cabinetry for nine developments planned and under way over the next two years.

VOCATIONAL TRAINING PROGRAMS



- Sun Country Trailers expanded to the ASPC Lewis facility in Buckeye.



- The HOME TOWN HERO call center expanded to a third location at ASPC Perryville.

WHAT IS NEXT IN FY22-23?



- In 2023, all new skills and training opportunities in auto repair and upfitting will begin at the Core Civic Red Rock Correctional Center.



4441 E. McDowell Road Phoenix, Arizona 85008
(602)-272-7600 aci.az.gov

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