



ARCHIVED - Archiving Content

Archived Content

Information identified as archived is provided for reference, research or recordkeeping purposes. It is not subject to the Government of Canada Web Standards and has not been altered or updated since it was archived. Please contact us to request a format other than those available.

ARCHIVÉE - Contenu archivé

Contenu archivé

L'information dont il est indiqué qu'elle est archivée est fournie à des fins de référence, de recherche ou de tenue de documents. Elle n'est pas assujettie aux normes Web du gouvernement du Canada et elle n'a pas été modifiée ou mise à jour depuis son archivage. Pour obtenir cette information dans un autre format, veuillez communiquer avec nous.

This document is archival in nature and is intended for those who wish to consult archival documents made available from the collection of Public Safety Canada.

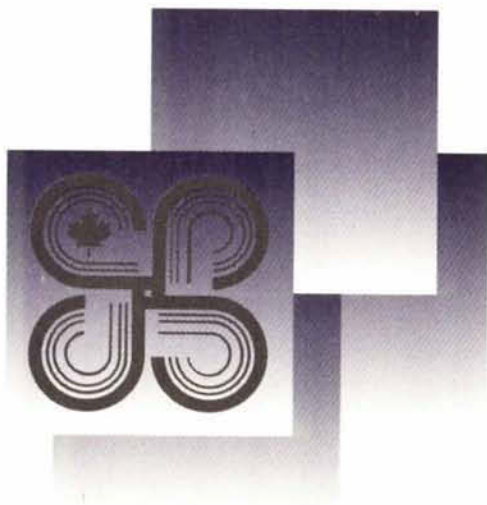
Some of these documents are available in only one official language. Translation, to be provided by Public Safety Canada, is available upon request.

Le présent document a une valeur archivistique et fait partie des documents d'archives rendus disponibles par Sécurité publique Canada à ceux qui souhaitent consulter ces documents issus de sa collection.

Certains de ces documents ne sont disponibles que dans une langue officielle. Sécurité publique Canada fournira une traduction sur demande.

CORCAN

Annual Report 1994/95

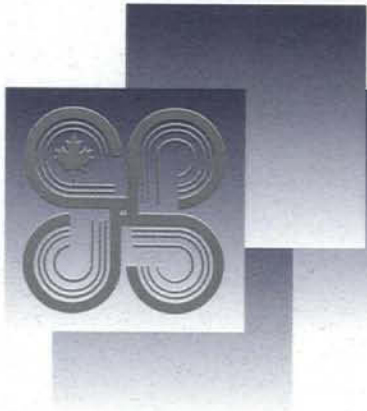


Correctional Service
Canada

Service correctionnel
Canada

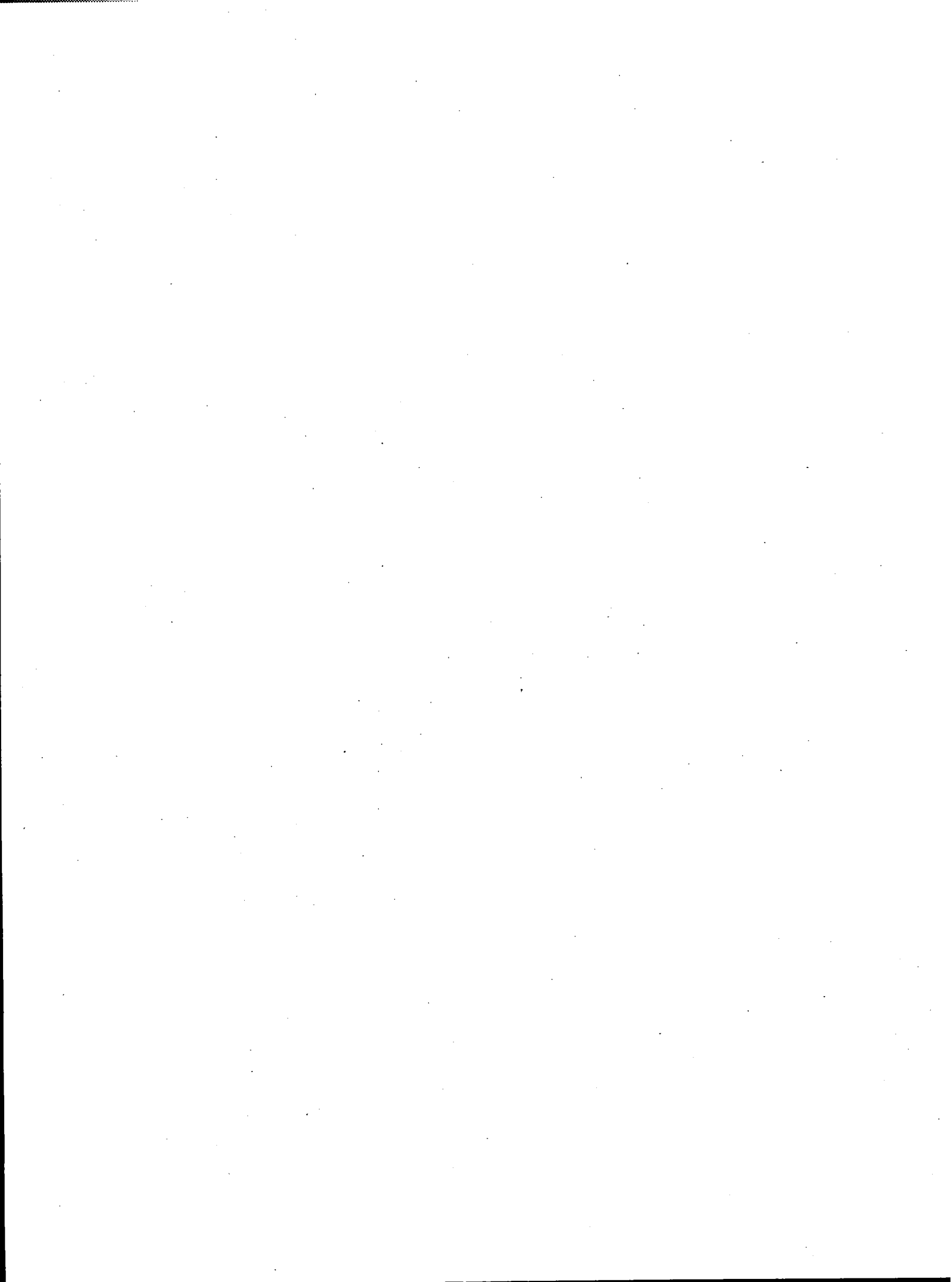
Copyright of this document does not belong to the Crown.
Proper authorization must be obtained from the author for
any intended use

Les droits d'auteur du présent document n'appartiennent
pas à l'État. Toute utilisation du contenu du présent
document doit être approuvée préalablement par l'auteur.



CORCAN

**Annual Report
1994 - 95**



CEO's Message

CORCAN's mission is to employ and train offenders; and assist in their reintegration to the community. It is as well to reduce the associated costs to society through the sale of inmate-produced goods and services. A study was recently conducted that examined CORCAN's effect on reincarceration of offenders after release. Preliminary results show that inmates who have spent 6 months or more with CORCAN are more likely to successfully complete their full parole or statutory release period. CORCAN programs contribute effectively to the rehabilitation of offenders.

Market Changes

Change was a keyword in FY94/95, both for CORCAN, and its' customers:

New orientation and training programs for inmates were developed during the year. These changes which are scheduled for piloting in four facilities in the coming year should further enhance our correctional performance.

Our commercial markets which had been historically very stable, began to show signs of restructuring in FY93/94, and continued their very rapid change throughout FY94/95.

The Stock Item Supply (SIS) which regulated the transfer of much of CORCAN's products to federal departments will be phased out by October 1995. Consequently, CORCAN will have to react to significant changes in both its structure and operating posture to overcome the loss of this major marketing outlet.

Costly Write - downs

In FY94/95, various cost reduction measures were introduced to improve our self sufficiency, and profitability.

We have downsized our inventories which had been very large in pre-Agency periods and had been allowed to increase in FY93-94 to ensure continuity of inmate employment levels. In FY94/95 shop production was suppressed while inventories were being sold down;

this meant that a portion of the fixed costs could not be capitalized in the inventories but was absorbed as cost of the period. Additionally, as inventories were cleared, some items had to be sold at prices inferior to their book value; these write downs appear as part of the operating costs. However, these losses which have affected our performance in FY94/95 should be viewed as non-recurring items.

We have continued to work towards reducing our fixed expenses, both at the production, and management levels. In the long term, our ability to work with fewer staff will determine our ability to serve existing markets and to expand new ones.

Additionally, we have focused attention on operating and selling costs (in particular warehouse and distribution costs). A study is underway to identify cost efficiencies that could be achieved in storage and freight of finished goods.

These actions within themselves will not provide CORCAN with a secure future. The Agency must redefine its product and service offering, and respond to the new ways its customers will fulfill their procurement requirements.

1996 Outlook

There are three important factors to be monitored during a restructuring of the magnitude that CORCAN is undergoing.

Firstly, is the organization able to carry out its mission? Secondly, will the plans in place move the organization forward? And thirdly, does management have the authority, and will, to carry out the plans? CORCAN alone cannot create jobs. Only customers can provide the work necessary to create jobs that are meaningful; that are good value for the taxpayers' dollar; and that serve our Correctional Mandate. For this reason, efforts that make CORCAN more responsive to its customers needs are the only sure long term way of protecting its mission sensitive compatibility.

Certification under the ISO 9000 quality program continued and we plan to bring most institutions up to the standard by the end of 1997.

During the period where many of CORCAN's historical employment activities must be restructured, there remains a high demand to develop alternate employment opportunities. CORCAN responded in FY94/95 to this requirement by establishing Construction as a operating division. In reality, this is hardly a new area for prison industries. For example, our first program was quarrying the stone used in the construction of Kingston Penitentiary - and that was in 1835! And today, using inmates to build prison structures is an "old" idea that is creating new work.

FY94/95 concludes the original planning cycle for the Agency, to be replaced by our next series of major planning initiatives. These include the establishment of a series of operating divisions that will focus on specific business lines. They will be: Construction, Agribusiness, Manufacturing, Textiles, and Graphic services. This will allow us to better focus on specific customer requirements and manage the program strategically. Furthermore, costs will be directly related to divisional operations, and will be controlled more effectively in this manner. These operating divisions will be more sensitive to their respective marketing conditions, which is directly linked to our employment interests.

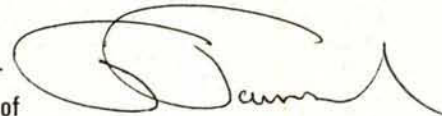
New Initiatives

CORCAN, when compared to other correctional industries organizations has a very low ratio of offenders to indeterminate staff. The ratio in several US jurisdictions surveyed was 20 to 1, whereas CORCAN's is about 5 to 1. For various reasons, it will be difficult for CORCAN to achieve the same relativeness as our American counterparts. The most important one being the large number of operating sites in comparison to the relatively small num-

ber of offender workers per site. Both of these are related to federal corrections policy decisions on the size of institutions. However, we will take actions to allow for the increase in the number of offenders supervised by each staff member. In June 1995, local managers will begin planning towards a target of 10 to 1. The impact of these initiatives will have an effect by mid 1995-96.

At the beginning of 1995, I was pleased to accept the honorary position as President of the Correctional Industries Association, a US based organization, where I will endeavor to ensure that the Canadian perspective is maintained at all times.

In concluding, I would like also to take this opportunity to thank each and every CORCAN employee for their dedication, competence and enthusiasm. CORCAN's management and staff remain highly committed to the viability of CORCAN and its mission, and I look forward to interacting with them during the coming year.



Thomas Townsend
Chief Executive Officer

ADVISORY BOARD

CORCAN Advisory Board's role is to:

1. review the organization operating plans, budgets, marketing and sales plans;
2. assess the actual performance in comparison to approved plans;
3. provide guidance to CORCAN's Management on major initiatives to develop new products and new markets; and
4. assist in building a positive public image of CORCAN and in representing CORCAN to labour and business organizations.

The Advisory Board is chaired by the Commissioner, Correctional Service of Canada, and composed of up to twelve members representing government, labour, the criminal justice community and the business community.

At the end of fiscal year 1994-95, the Board embodied nine members

Chairman

John Edwards

Commissioner
Correctional Service of Canada

1994-95 Members:

Owen Anderson

Director
Consulting Group of BDO Dunwoody
Ward Mallette, British Columbia

Claude Boyer

Associate
Bourassa Boyer, Chartered Accountants
Quebec

Bill Deeks

Noranda, Inc.
Ontario

Diane Lemelin

Director of Communications & Training
& Director of International Projects,
Quebec Businesswomen's Association
(AFAQ), Quebec

Dick Martin

Secretary - Treasurer,
Canadian Labour Congress
Ontario

Doug Montgomery

Vice-President
Government Relations, Canadian
Manufacturers Association, Ontario

Ranald Quail

Deputy Minister
Public Works and Government Services
Canada, Ontario

Bernie Sutton

Assistant Campaign Director
Saskatoon United Way
Saskatchewan

Alvin Wasserman

President
Wasserman & Partners Advertising Inc.
British Columbia

CORCAN

Management Team

CORCAN Management Team's role is to :

1. ensure that CORCAN's mission is achieved by providing strong leadership and direction;
2. assess impact of potential investment projects or new government policies and regulations on CORCAN 's operations;
3. propose, review, approve, and implement the national business strategies and policies of the organization;
4. develop a corporate culture that will promote employee self-actualization through work satisfaction and appropriate training program;
5. maximize the utilization of available financial and human resources;
6. monitor current operations and financial situation and to direct the implementation of corrective measures; and
7. act as a review board for the funding and approval of large investment projects.

Chief Executive Officer

Thomas Townsend

Chief Executive Officer
Ottawa, Ontario

Management Committee:

Tom Crozier

Director of Operations
Western Area
Calgary, Alberta

Mike Elkins

Director of Operations
Central Area
Kingston, Ontario

Ron Grenon

Product Manager
Services
Ottawa, Ontario

Corinne Hagerman

Director
Corporate Development
Ottawa, Ontario

Jim LaPlante

Director
Policy, Planning and Mgt Services
Ottawa, Ontario

Paul McAuley

Project Officer
Kingston, Ontario

P. André Martel

Comptroller
Ottawa, Ontario

Monique Marullo-Morin

Director of Operations
Eastern Area
Montreal, Quebec

Carter Powis

Director of Corporate Renewal
Kingston, Ontario

John Reid

Director
Information Mgt Services
Kingston, Ontario

Ray Saunders

General Manager
Construction
Ottawa, Ontario

David Wong

Manager
New Ventures
Toronto, Ontario

Business Profile

Prison industries and farms have always been a key element of Canada's penitentiary system. From their modest beginnings designed primarily to reduce inmate idleness, they have grown to become a program to help inmates learn marketable employment skills. The program has expanded since it was officially designated on June 20, 1980 as CORCAN. Its slogan, "Quality from the Inside Out" exemplifies the commitment to quality, both in its products and in its correctional programming. In April 1992, the federal government granted CORCAN the status of special operating agency (SOA). This new status gives CORCAN greater flexibility to market its products, deploy staff, and enter into contracts with private sector organizations. Most importantly, it is able to offer an expanded range of training and post-release employment opportunities to federally-sentenced offenders.

CORCAN provides work programs nation wide for about 1,940 offenders, representing 13% of the total population incarcerated. CORCAN operates in 32 of the 52 federal correctional institutions across Canada.

CORCAN has performance objectives in two broad areas - correctional and commercial.

As an agency within Correctional Service Canada, CORCAN contributes to CSC's overall efforts towards reintegration of offenders by giving them work experience in community-like work settings in correctional institutions, offering employment-related training and counseling, and organizing support services which will assist offenders to find and maintain work once released.

A "learning by doing" approach to imparting work related skills has proven to be the most effective form of preparation for the labour market.

The expected results of the correctional objectives of CORCAN's program include earlier safe release of offenders with job or job prospects, increased likelihood that ex-offenders receive a higher starting salary, skills that will allow ex-offenders to stay longer on the job.

These correctional objectives mean that CORCAN must provide a program that has the scope to incorporate a significant percentage of the offender population, both inside and outside institutions. However, employment in itself is not enough; CORCAN must provide meaningful employment in an environment that emulates the private sector.

CORCAN's commercial objectives must be viewed in the context of its correctional objectives. There is a balance to be achieved between correctional and commercial interests. CORCAN's commercial objectives can be translated directly into targets for profit / loss, gross revenues, offender productivity and quality management. These objectives are expected to result in meeting short-term financial commitments and sustaining long-term financial viability.

CORCAN must ensure that its products and services can be marketed and sold. Creating a viable commercial enterprise is central to CORCAN's learning environment. CORCAN's customers include the federal government (especially Correctional Service Canada), as well as provincial and municipal governments, public institutions and agencies, and chartered not-for-profit organizations. In addition to the newly-created business line of Construction, CORCAN offers the following products and services: office furniture, reception furniture, institutional furniture, racking, laundry, custom manufacturing, repair and refurbishing services, graphic/data services, telemarketing service, optical scanning service, and agricultural products. Currently, CORCAN occupies anywhere from 1 to 3% of the marketplace in the areas in which it competes.

To accomplish these correctional and commercial objectives, CORCAN must ensure that the marketing structures are in place to facilitate its drive towards becoming a dynamic, results-oriented and customer-driven agency.

CORCAN's Correctional Mandate

CORCAN provides employment and training opportunities to offenders incarcerated in federal penitentiaries and, for brief periods of time, after they are released into the community.

Mandate

CORCAN's correctional mandate places the focus on the offender. CORCAN's aim is to contribute to the safe reintegration of offenders into society by providing them with adequate and relevant job training and good work habits, counseling and support. Operations are diversified in order to provide offenders with a wide range of job experience. As well, the "learning by doing" approach, to which CORCAN is committed, involves replicating private sector work experience as closely as possible.

The goal is to create medium and long-term employment capacity in the institutions and increase employment-bridging opportunities in CORCAN's community industries.

CORCAN faces the critical challenge to increase inmate participation in employment programs. Penitentiary populations have been increasing rapidly in recent years and offender employment has not been able to keep pace.

CORCAN'S Commercial Mandate

Central to CORCAN's long-term job creation strategy is the recognition that its important market, the federal government, is in the process of significant restructuring. The agency will have to focus, increasingly, on the changing needs of this market and shift its products and services to more effectively respond to these changes. These customers can be expected to recognize the important social mission of CORCAN and can be relied upon to take a leadership role in providing increased markets to support job creation in the Canadian federal penitentiary system.

CORCAN has an established reputation for its products and services in the federal government, in other public sectors (such as hospitals, schools, provincial and municipal governments), and in not-for-profit jurisdictions. The agency is recognized as a producer of good quality,

Objective

CORCAN plans to increase its inmate participation rates to levels that are more in line with rates in comparable correctional jurisdictions (e.g., the United States). In order to accomplish this correctional objective, CORCAN will need to increase its commercial activities.

As well as increasing the opportunities for more offenders to participate in CORCAN programs within institutions, as a special operating agency, CORCAN has taken on the challenge of providing other services. These services include pre- and post-release employment counseling; community industries (short-term employment in the community); and job placement services in strategic geographic locales that will assist offenders in obtaining secure, well-paying jobs once released. In addition, the agency is identifying the ways and means of increasing inmate participation at current manufacturing and service sites through job-sharing, the introduction of shift work, and by developing strategic business agreements with private sector enterprises.

value-priced manufactured goods, such as office and institutional furniture.

CORCAN constantly improves its work settings to emulate the productivity and quality standards of the private sector. The agency has launched an aggressive quality improvement program using the ISO 9000 quality standard. CORCAN plans to extend certification to most of its industrial sites.

In order to meet the challenge of providing training, employment and employment-related services to a growing prison population, CORCAN must seek to expand its product and client base and to identify products and services that provide inmates with experience and skills that are easily transferable to the Canadian labor market.

To this end, new business ventures are being

researched in conjunction with Canadian enterprises.

CORCAN believes that, rather than being in competition with the private sector, it has much to offer as a partner.

Avenues of partnership are being explored, such as sub-contracting, joint ventures and shared product development. The agency will develop and provide the best mix of goods and services that respond to the wide range of requirements of its major clients- Correctional Service Canada and other federal government departments. For example, CORCAN will look to assist organizations affected by down-sizing by increasing services, such as telemarketing, distribution, laser imaging and refurbishing.

CORCAN's agricultural production is consumed primarily by CSC. CORCAN will continue to respond to the needs of Correctional Service Canada for agricultural commodities, while ensuring that any surplus production is absorbed by secondary markets.

February 1, 1995 marked the creation of a new business line- CORCAN Construction.

The CORCAN Construction business line is foremost an offender rehabilitation program. It is a comprehensive education, skills enhancement and work experience program set up as a self-sustaining business line to prepare offenders for post-release employment in the construction industry. Its aim is to substantially increase the employment of offenders in construction activities, by actively encouraging its clients to 'purpose-design' their projects to maximize the use of offender labor and offender-built construction products. Its five year vision is to evolve into an ongoing-profitable business line that efficiently and effectively serves a variety of government and not-for-profit clients, through offering a full range of construction-related products and services. In addition, CORCAN Construction seeks to become CSC's 'Principal Contractor', thereby becoming responsible for managing and delivering a major portion of their construction projects.

In operating its employment programs, CORCAN produces a variety of products and services, the sale of which can offset a portion of its operating costs. Those business aspects of its mandate are subject to normal business practices. There exist, however, aspects of its correctional responsibilities and training mandate which generate no corresponding revenue and which CORCAN cannot be expected to fund through the sale of its

products.

These costs are covered through a special fee paid to CORCAN by Correctional Service Canada to offset the cost of the training and correctional activities which are not related to production and which are part of the reality of operating in correctional institutions. In addition, the fee covers such items as staff salaries and benefits for periods when shops cannot operate and staff are deployed to other institutional responsibilities, staff training associated with care and custody of offenders, and higher than average costs associated with inmate on-the-job training.

Changes in the agency's markets and its initiatives to increase alliances with Canadian enterprises inevitably lead to rethinking the agency's basic organizational unit -the operational sites- with respect to capability, flexibility, and time responsiveness. These three factors, more than any others, will have the greatest impact on the future of the agency. An important part of the move to that change is the continued certification of operations under the International Standards Organization (ISO) 9000 Series. Such quality standards are an important demonstration of the parity of CORCAN operations with counterparts in the private sector.

Increasingly, competition is defined by time responsiveness as much as by quality and price. Time responsiveness plays to the agency's weakness because of the centralized nature of many of the approval processes to which the agency must subscribe. The future of CORCAN will involve the dramatic devolution of decision-making authority to the operational sites, at the local level. In order to affect this change, the agency will have to alter its accounting authorities and processes to ensure that the costs of decisions, taken locally, are accounted for locally. This will require the conversion of an increasing number of local sites to autonomous profit centres.

The central focus of the agency's future endeavors is its offender work force. Offenders will have to become more knowledgeable of CORCAN's manufacturing and service processes; better oriented to CORCAN's way of doing things; and committed to CORCAN's success while employed with the agency and to their employment aspirations after leaving the agency. New offender orientation and training programs will be needed to meet this challenge.

CORCAN's Vision Statement

CORCAN will be recognized by CSC as the employer of choice and an integral player in its offender population management initiatives.

CORCAN will strive to employ 20% of the incarcerated population, and will support CSC's work release initiatives in the community.

CORCAN will be recognized for excellence by:

- providing leadership in delivering programs that assist offenders in becoming more employable in the community;
- engaging offenders in the production and delivery of high quality products and services to satisfy customer requirements;
- ensuring CORCAN operations meet or exceed prevailing health, safety and environmental standards;
- developing markets where CORCAN can sell its products and services;
and
- managing CORCAN in a way that effectively balances revenues and expenditures in each of its business units.

FINANCIAL HIGHLIGHTS

FOR THE PERIOD ENDED MARCH 31

1995

in thousands of dollars, except work force data

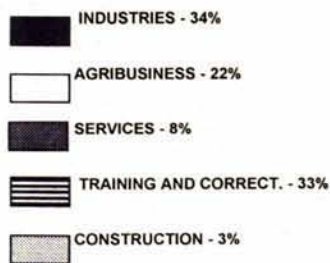
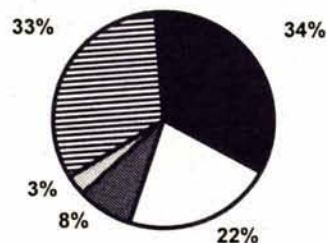
FOR THE YEAR:

Revenue	50,684
Gross Margin (\$)	11,250
Gross Margin (%)	22.20%
Net Margin (\$)	(7,023)
Net Margin (%)	-13.86%
Capital Expenditures	1,980
Amortization	3,532
Cost of Financing	1,821

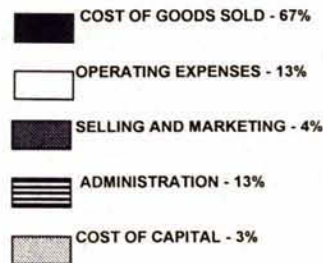
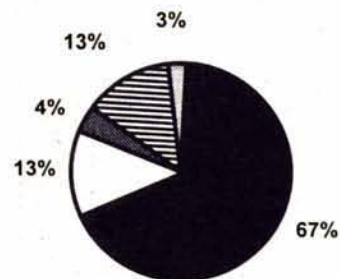
AT YEAR-END:

Revolving Fund Authority Limit	45,000
Accumulated net charges against the Fund's authority	34,078
Number of employees	364
Number of offenders involved in the program	1,943
Percentage of offender population	13.00%

REVENUE



EXPENSES



CORCAN SERVICES AND PRODUCTS

CORRECTIONAL



TRAINING AND CORRECTIONAL SERVICES

PREPARING OFFENDERS TO RE-ENTER SOCIETY VIA

- o COUNSELING
- o EDUCATING IN WORK SHOPS
- o SKILLS TRAINING IN WORK SHOPS
- o ENCOURAGING PARTICIPATION IN COMMUNITY PROJECTS
- o EMPLOYMENT PLACEMENT

COMMERCIAL



AGRIBUSINESS PRODUCTS

- o FOREST HARVESTING
- o SILVICULTURE
- o COMPOSTING
- o FIRE FIGHTING
- o DAIRY
- o EGGS
- o POULTRY
- o BEEF
- o PORK
- o VEGETABLES
- o GROUNDSKEEPING
- o GREENHOUSES
- o HORTICULTURE
- o FOOD PROCESSING
- o FIELD CROPS



MANUFACTURING PRODUCTS

- o OFFICE RECEPTION AND INSTITUTIONAL FURNITURE
- o SHELVING
- o GARMENTS AND TEXTILES
- o SIGNAGE
- o UPHOLSTERY AND CANVAS
- o CUSTOM CAPACITY MANUFACTURING WITH PAINT, WOOD AND METAL



SERVICES

- o PRINTING
- o MICROFILMING
- o LAUNDRY
- o TELEMARKETING
- o MAIL DISTRIBUTION
- o ADP DATA ENTRY
- o CUSTOM SERVICES SUCH AS REFURBISHING.



CONSTRUCTION

- o NEW CONSTRUCTION
- o RENOVATIONS
- o RENOVATION COMPONENTS
- o RETRO-FITS
- o RETRO-FIT COMPONENTS & MANUFACTURING
- o MAINTENANCE & RENOVATIONS

Operational Review and Discussion

CORCAN provides work-training programs for about 1,940 offenders in 32 federal correctional institutions. In the context of the training programs, CORCAN gives also counseling and support services to inmates to assist them in developing positive attitudes towards work and in improving their job prospects.

As a special operating agency, CORCAN strives to finance its correctional goals with the by-products of its training programs, by selling the inmate-produced goods / services.

CORCAN's performance objectives can be grouped in two categories - Correctional and Commercial.

CORCAN's correctional objectives include a relevant involvement of the offenders population, earlier safe release of offenders with job or job prospects, increased likelihood that ex-offenders receive a higher starting salary, skills that will allow ex-offenders to stay longer on the job and will be in demand in the private sector.

CORCAN's commercial objectives must be viewed in the context of its correctional objectives. Its commercial objectives are financial targets - profit / loss and revenue, and expected levels of offender productivity and quality management. Its ultimate business goal is to achieve financial viability through the sales of inmates-produced services / products, and permit, in this manner, the self-financing of its inmate rehabilitation programs and services.

CORCAN must ensure that its products and services can be marketed and sold because the success of

its commercial enterprise has a direct influence on its capacity to perform its correctional mandate. A proper balance must be maintained between correctional objectives and commercial objectives to ensure that the pursuit of commercial profitability does not impact negatively on the quality of the training provided. Analysis of the commercial performance must take in consideration that CORCAN has also a correctional mandate, and that its commercial production is achieved within the particularities and restrictions imposed by the correctional environment.

FY94/95 was a difficult year for CORCAN from a correctional and commercial point of view.

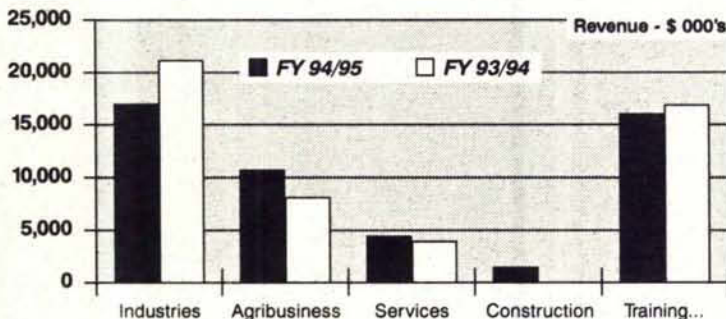
The revenues from CORCAN's businesses were far less than originally planned due to the rapid decrease in its traditional markets, affected by governmental budget cuts, and to the difficulties encountered by CORCAN in developing new markets.

CORCAN was directly affected by the federal government efforts to reduce expenses. Correctional service of Canada has reduced their annual fees paid to CORCAN for inmates training and correctional activities. The training funding from CSC, in comparison to FY92/93, was reduced by \$ 0.5 M in FY93/94 and \$ 1.6 M in FY94/95.

The disappointing financial performance of the commercial operations did not permit CORCAN to expand the level of services to keep offenders productively employed.

CORCAN as a business

When CORCAN became a special operating agency in fiscal 1992-93, it was assumed that CORCAN would ensure its financial viability by rapidly identifying and



introducing new business lines, while maintaining and expanding existing federal, provincial, municipal and non-profit organization markets. It was also expected that the revenue generated would support CORCAN new structure as an SOA and enable the delivery of more community-based employment and job counseling opportunities and services.

In FY94/95, CORCAN's businesses did not support the above assumptions. Diversification of business lines has taken more time than expected, revenue growth from traditional and expanded markets was far less than anticipated because of the harsh economic conditions faced by our customers. In the meantime CORCAN had anticipated large volume of sales, and was erecting a congruent infrastructure. The related costs were outpacing the revenues. In response to these realities, the agency launched several initiatives in fiscal 1994-95 to reduce expenditures and increase commercial revenues. The concept of institutional sustainability was introduced with the

objective that institutions would cover at least their direct costs within the next three years. Steps were taken to start the implementation of business line management to provide better control of our production and to evaluate our performance. Measures were taken to reduce corporate overhead costs. By the end of fiscal year 1995-96 corporate headquarters will be reduced by 22%; area offices including support for community activities by 15%; and the institutional workforce by 13%.

Products, production and distribution processes were examined with the view to reduce costs, and to improve the quality and the plus-value of services / goods offered.

Despite the above initiatives, CORCAN still posted an operating loss of \$7 million in fiscal 1994-95.

At a time when constant growth in the prison population requires that CORCAN increase the number of jobs generated by its activities, initiatives are being taken by our main client group to cut their purchases. These restraint measures are exerting an enormous downward pressure on our sales. As a result, a forecasted increase of 6.4% over sales from the previous year turned into a rise of barely 3.5%. Moreover, this disappointing sales increase was achieved by discounting the prices of certain aging products for which CORCAN had surpluses. Since CORCAN was not able to completely eliminate inventory surpluses through sales, it was decided to reduce institutional production levels.

This reduction had a direct impact on employment levels, and on profitability due to the high fixed costs that could not be eliminated rapidly. The absorption of these non-recurring losses in FY94/95 negatively impacted on the financial results.

All of these elements, coupled with the reality that it is difficult for CORCAN to achieve healthy margins in light of the low level of activity in each of the areas in which it is involved, resulted in the significant deficit in FY94/95.

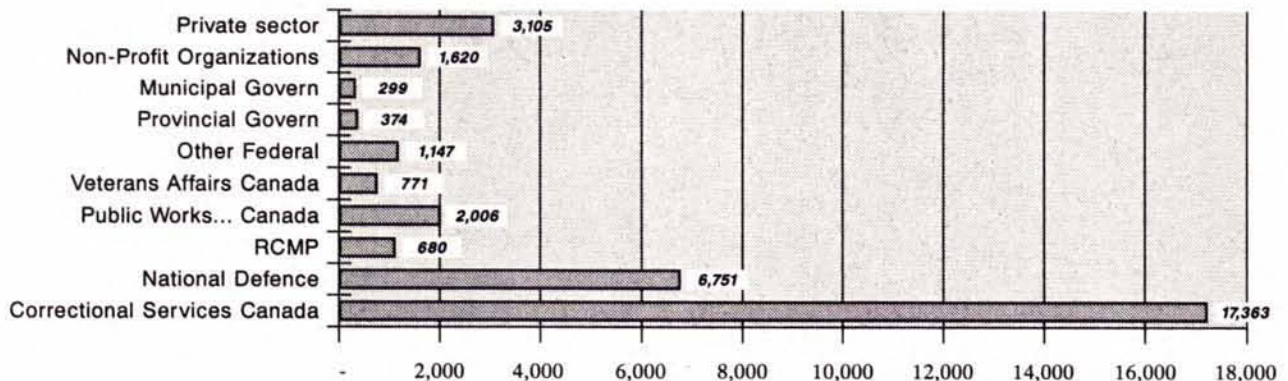
CORCAN must constantly seek to maintain an optimal balance between correctional and com-

term.

The current financial situation severely restricts CORCAN's capacity to maintain and/or increase its correctional programming. It also constrains CORCAN's ability to develop in new products and services that will drive the renewal of its commercial business portfolio, and be increasingly more reliant on revenues from the sale of its inmate-produced goods and services.

CORCAN's self-financing approach makes the SOA very attractive to the taxpayer as well as to stakeholders in the correctional environment. How-

Sales of inmate-produced products/services - '\$000's



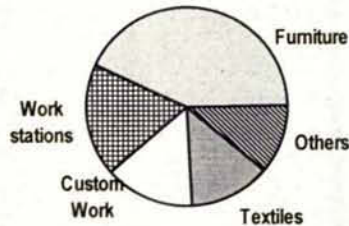
mercial objectives. Disregarding the correctional mandate by placing too much emphasis on traditional business values such as profit maximization, productivity and process automation is not an option. CORCAN is, first and foremost, a correctional program designed to promote the reintegration of offenders by providing training programs and a work discipline. However, ignoring the realities of life and sound financial management for the sake of this correctional mandate can only have a negative impact in the medium and long

term. ever, the current market conditions and government restricted competition policies do not yet permit CORCAN to rely solely on a commercial strategy to achieve its correctional mandate objectives. In the future, emphasis will be placed increasingly on developing commercial relationships with federal departments to increase business volumes and offender employment. CORCAN will re-engineer its order acquisition / fulfillment process and increase the voice of its customers at all phases of product development, manufacturing and delivery.

Performance by business line

Industries

CORCAN's industries sales dropped by \$4.5 million compared with the 1993-94 fiscal year. The negative gross margin of \$5.8 million just for this sector is more than the total negative gross margin for CORCAN as a whole, if training and correctional activity revenues are excluded. Although anticipated, this slowdown was much more serious than expected. By the end of the 1993-94 fiscal year, inventories in the industries sector had reached rela-

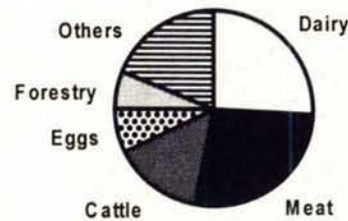


INDUSTRY REVENUE	
	\$ '000' s
Textiles	2,273
Custom Work	2,491
Workstations	3,018
Furniture	7,407
Others	1,998
TOTAL	17,187

tively high levels. CORCAN management had decided to allow these inventories to build up during the year in order to mitigate weak sales and maintain certain production and inmate employment levels. In 1994-95, given extremely low sales of industrial products and market trends for the coming years, it was decided not only to keep inventories from building up again but also to reduce them to a more acceptable level. At March 31, 1995, CORCAN inventories were valued at \$14.1 million, \$4.1 million less than in 1994.

Agribusiness

CORCAN continues to operate six farms: Westmorland in New Brunswick; Pittsburgh and Frontenac in



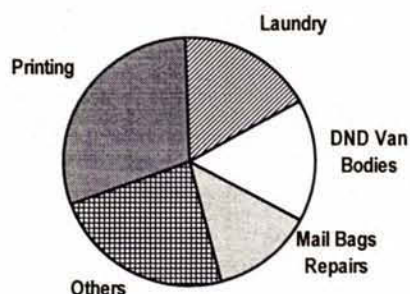
AGRIBUSINESS REVENUE	
	\$ '000' s
Dairy	2,985
Meat	2,864
Cattle	1,688
Eggs	836
Forestry	650
Others	2,133
TOTAL	11,156

the Kingston area; Rockwood, on the site of the Stony Mountain Institution near Winnipeg; Riverbend, associated with the Saskatchewan Penitentiary in Prince Albert; and Bowden in Alberta. Added to these are two silviculture and firefighting operations, at Ferndale and Elbow Lake in British Columbia. The type of agriculture practiced by CORCAN is similar to the mixed agriculture style which was popular in the 1950s. This type of operation is a good job creator but is becoming increasingly difficult to make profitable owing to the economies of scale achieved by specialized businesses.

In the agribusiness sector, sales have shown a clear increase over last year. Sales of \$8.0 million were recorded in 1993-94; they rose to \$11.1 million in 1994-95.

Unfortunately, this increase in sales is not entirely attributable to an increase in production. Although the major portion of the increase results from new sales, new products or price increases, a portion came from the reimbursement by the Correctional Service of Canada of costs that used to be absorbed by CORCAN in the past and could no longer be justified commercially.

Services



SERVICES REVENUE	
	\$ '000' s
Printing	1,206
Laundry	696
DND Van Bodies	638
Mail Bags Repairs	520
Others	951
TOTAL	4,011

This fiscal year, CORCAN Services have continued to show strength and growth as many new opportunities have arisen in the marketplace. These opportunities are consistent with CORCAN's overall business plan and outlook which places emphasis on the social aspect of our business, adding value to CORCAN services production and the concept of partnering with service providers in the marketplace.

CORCAN services focused its efforts in Printing, Laundry, Equipment Repairs, Mail Management and the provision of Call Center services. More and more, industry and governments are expressing their preference for outsourcing to service organizations, like CORCAN, as in-house resources are no longer available.

In 1994/95 the Printing services business segment was successful in increasing the file folder printing services as a direct result of the installation of new equipment and increased business from its marketplace. The data entry sector has shown great promise as CORCAN continues to develop relationships with other data providers for the provision of these services. The delivery of services to its clients accounted for \$4.0 million or 7.9% of CORCAN's total sales in 1994-95. This activity sector generated a positive gross margin of 4.2% on sales but less than 1% on total volume. The principal operations contributing to this level of activity were printing (30%), laundry (17%), equipment refurbishing (primarily for the Department of National Defence) (16%), repair of mail containers (13%), data processing (8%) and baking (6%).

In early 1995, CORCAN undertook a comprehensive strategic review of its service operations. This review will continue in 1995-96. Its goal is to determine the changes to be made in order to maximize efficiency and the sales/employee ratio. Consequently, in fiscal period 1995/96 we expect to see a substantial gain in marketshare as a direct result of ongoing initiatives taken this year.

The addition of CORCAN services to the National Master Standing Offer, new partnerships with information providers, opportunities in Printing services as a result of the privatization of Canada Communications Group, the establishment of agent representation throughout North America will all contribute to the success of these business segments.

The services sector is one that could expand if CORCAN can respond quickly and fulfill the increasingly sophisticated needs of its clients.

Construction

In 1994-95, for the first time, construction was recognized as a separate commercial activity undertaken by CORCAN. Construction was a natural avenue to pursue, for various reasons. First, this sector is an ideal training ground for many inmates who, because of their education level and personal characteristics, favor demanding manual labor which involves a lot of dexterity and pays well.

Moreover, the Correctional Service of Canada must renovate and expand prison facilities to accommodate the increase in the inmate population. CORCAN Construction can efficiently provide the construction-related products and services to CSC. The Commissioner of Corrections clearly supports CORCAN in this regard. CORCAN seeks to become CSC's 'Principal Contractor' thereby becoming responsible for a major portion of their construction projects. CORCAN believes that Construction will create a significant number of inmate-jobs.

In 1994-95, the construction revenue was \$1.8 million, that is, barely 3.5% of total CORCAN

sales revenue. Nonetheless, construction gross margin was \$0.2 million, or 11%. CORCAN anticipates construction revenue of approximately \$8.0 million for the 1995-96 fiscal year.

Training and Correctional Activities

Despite the support and co-operation of the Correctional Service of Canada, fees for training and correctional activities dropped again this year by more than \$1 million. This decrease represents CORCAN's contribution to the program to streamline activities and reduce expenditures which was implemented by the CSC two years ago. It is important to recognize that this reduction in Fee was in no way offset by a reduction in the services provided by CORCAN to the inmates.

From year to year, increasing financial pressure is placed on CSC's resources, mainly because of the constant growth of the prison population. Thus, the CSC, like CORCAN, must maximize the benefits reaped from every dollar spent.

CORCAN, which receives approximately \$16 million a year, has therefore become a target for a fee

adjustment downward. To evaluate equitably the financial cost of its training CORCAN has, in the past few months of the current fiscal year, undertaken a study to establish a basis for setting the fees paid by the CSC to CORCAN. We have already identified four predominant factors for determining CORCAN Fee to train and provide related services to the inmates, namely:

- Volume of correctional activities, training, and placements;
- the number of sites which benefit from CORCAN's programs;
- the number of instructors; and
- production time lost due to the correctional environment.

The data collected to date as part of this study has made it possible to compare CORCAN with other correctional industries in the United States. The table below shows a number of these comparisons.

	CORCAN 1995	Florida 1993	Federal - USA 1994	Georgia 1994	New-York 1994
Volume of Sales - \$ in million	\$ 34.1M	\$ 99.4 M	\$563.0M	\$46.2M	\$85.5M
Profit (Loss) - \$ in million	(\$ 7.0M)	\$ 1.1M	\$ 14.9M	\$ 1.8M	\$ 0.3M
Sites	32	20	53	14	18
Inmate employed	1,943	2,600	16,500	1,300	2,500
Instructors	250	125	682	111	155
Ratio - Inmates / Instructor	7.8	20.8	24.2	11.7	16.1
Ratio - Sales / Inmate	\$17,558	\$38,231	\$34,121	\$35,538	\$34,216
Ratio - Sales / Site - \$ in million	\$ 1.1 M	\$ 5.0M	\$10.6M	\$ 3.3M	\$ 4.7M
Ratio - Inmates / Site	61	130	311	93	139

Notwithstanding the fact that some of the differences between American institutions and CORCAN relate to policies and the correctional philosophies of the two countries, we must constantly strive to improve these performance indicators. In FY95/96, CORCAN should be in a position to submit to the CSC a concrete fee justification proposal and, more importantly, a scale for determining future fees.

CORCAN's Contribution to the Rehabilitation of Offenders

Institutional Programs

CORCAN is committed to employing twenty

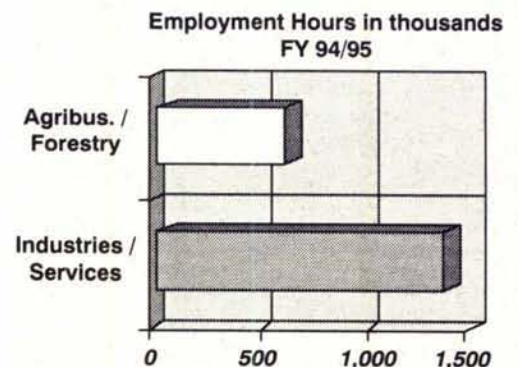
FY94/95	Offender participation	Employment Hours	Aver. Hours per Offender
Industries / Services	1476	1,418,517	961
Agribusiness / Forestry	467	676,036	1,448
TOTAL	1,943	2,094,553	1,078

percent of the general incarcerated population. To achieve this objective CORCAN's rate of job creation must exceed the rate of growth in the incarcerated population over the next several years.

During 1994/95, the total average number of offenders participating in CORCAN institutional programs each month was 1,943. This represents 13% of the offender population.

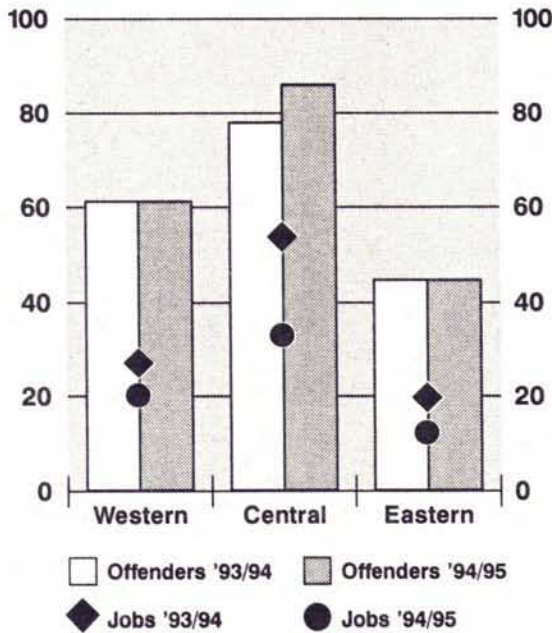
Total employment hours provided to these offenders was 2,094,553 (where employment hours include productive work, on the job training, and formal training). It is projected that offender employment will increase over the next 2 to 3 years by 750,000 hours to an annual total of approximately 2.8 million hours. This will be achieved mainly through limited subcontracting to private sector firms and other organizations, and through the employment of offenders on construction projects within Correctional Service institutions.

Through fiscal stewardship, CORCAN will ensure financial self-sufficiency by developing an operating climate that marries the effective management of manufacturing processes with the containment of agency overheads. CORCAN also plans to optimize the use of its revenues and the fees it receives from CSC for the delivery of correctional services and training in order to minimize the impact of fiscal restraint on the attainment of the agency's correctional objectives. Further, CORCAN will increase its gross revenues through sales that achieve or exceed \$35 million.



Community Programs

Temporary employment in the community is provided to offenders on day or full parole in supervised sites managed by third parties under contract to CORCAN. The length of



Community Programs	FY93/94		FY94/95	
	Offenders	Jobs	Offenders	Jobs
Western	61	24	61	22
Central	78	52	87	33
Eastern	46	20	46	14
TOTAL	185	96	194	69

employment is an average of 5- 10 months, and the type of work varies by site (warehouse operations, telemarketing, distribution services, drafting, forest harvesting).

Job Placement Programs

Job placement services help ex-offenders to find employment in the community. They are provided in 4 major centers (Montreal, Kingston, London, and Toronto).

Initiatives in 1994-95

Support for employment bridging in the community

Programs offered and supported by CORCAN in the community fall into the two broad categories of Community Industries and Employment Counseling. Although distinctly different, most community industries conduct employment counseling as an integral component of their programs. In other areas where there are no community industries, employment counseling programs stand on their own.

Community Industries have expanded greatly over the last several years with all Areas reporting significant figures.

Central Area:

The program in Ontario splits its resources between industries and employment counseling. CORCAN's Kingston operations is the largest community industry and on average provides for 27 offender positions. This operation also offers full employment counseling services. The Toronto office focuses on the complete set of services to support offender employment searches. A significant addition to this program is a joint effort between CORCAN, Human Resources Development Canada and JobsOntario referred to as the Church projects.

Eastern Area:

In the Quebec Region, CORCAN through joint contract with non-profit organizations provides working experience and job search counseling to offenders. The programs offer a full range of support by assessing participants, counseling, resume preparation, job search skills training and referrals. In FY94/95 close to 500 offenders on parole supervision were hired in the community.

In the Atlantic Region, the Community Industries program in Moncton, N.B. is a successful joint operation of the Moncton Parole Office and CORCAN. In FY94/95 the program recorded 15,540 hours of Inmate employment time, of the 32 offenders who participated in the program, 6 found full time employment in the community.

Western Area:

In the Western Area, CORCAN's approach to community employment is to promote community industries, primarily through third party (aftercare agencies) contracts. Three community programs operate under contract in British Columbia, providing on the job training mainly in the forestry and related occupations. These programs, working jointly with Human Resources Development Canada, also offer employment counseling and referrals.

Community review

CORCAN, in the future, will continue to assist released offenders in finding continuous employment in the Canadian labor force. CORCAN will also continue to develop and deliver its employment-related services in

ways that complement the advances being made in the delivery of other elements of CSC's Correctional Strategy.

Further, CORCAN will increase its job base (long and short-term employment opportunities in both the institutions and the community) and will provide increased access to employment for greater numbers of offenders.

Research Initiatives

The Conference Board of Canada has isolated a list of skills and abilities that make up the concept of employability. They are generic skills, such as the ability to think, reason, communicate and continue to learn; the ability to demonstrate positive attitudes and behaviors, responsibility and adaptability; and the ability to function as a member of a team.

Attention is now being given to the real contribution of CORCAN to responding to the overall needs of the offender and the important contribution of the shop supervisor in this process. In order to provide shop supervisors with a simple way of communicating an offender's progress to case management, the elements of an offender work performance scale were identified on the basis of information provided by over 150 shop supervisors. They indicated that the following performance factors were important: quality of work; cooperation; dependability; communication; safety awareness; and initiative. Building on these dimensions, CORCAN has expanded the work performance scale to include a fuller range of employability skills.

This assessment tool will bridge the exchange of information between CORCAN shop supervisors and CSC Case Managers.

In order for these tools to be effective, staff must be empowered to be more cognizant of the overall correctional process, so that they understand other correctional programs and the role that CORCAN can play along side them. Through their interaction with offenders, CORCAN staff are in the perfect position to support other CSC programs by reinforcing and sustaining the skills taught there.

The training program that is being developed for shop supervisors will include familiarization with offender need based programs, and training in transformational leadership and interpersonal skills. Greater participation in the management of the offender's Correctional Plan can create a better chance of developing better employees who can produce more; be more effective; and become more involved in the work process. This is where the application of the concept of employability can have a positive effect. Many employability skills are similar to skills that other CSC programs are teaching. The shop floor is the perfect place to put them into practice.

Results of the research study also suggested that, other skills that go beyond trade skills are required to assist offenders in becoming more 'employable'. If offenders are to become employable, they need a range of generic interpersonal skills that will allow them to get a job; keep a job; achieve success at a job; and work with others. Offender work attitudes are key, and, by impacting on them, we can make a positive impact on behavior and performance.

CORCAN supervisors are important members of a team that is actively working to develop offenders to become more productive and able 'employees' who will be employable when they are released.

CORCAN is continually reassessing its role with offenders in order to provide them with the best overall work experience possible. In mid-1994, a research project was initiated to examine the impact of CORCAN employment and supervisory styles on the work habits, attitudes and values of offenders. The research was initiated to measure the impact of the CORCAN experience on the attitudes of the offender towards work. The results of those studies confirmed that CORCAN employment offers more than mere deployment to keep offenders busy. The leadership styles of shop supervisors have an important influence on offenders' attitudes and subsequent work performance, and positive attitudes and values are among the real skills being learned on the job.

The study confirmed the link between work attitudes held by offenders and supervisory ratings of their work performance. It found that offenders who are motivated by the work itself, rather than just the pay, feel responsible for their work and derive satisfaction from a job well done.

These same offenders are more likely to have an overall sense of competence and self-reliance and are less likely to express criminal sentiments.

The results of these studies are now being converted into an implementation plan.

Encouraging offenders to use their newly developed skills and abilities, and ensuring that their use generalizes beyond the classroom situation, requires

that staff are capable of reinforcing and supporting the offender's use of interpersonal skills through their daily interaction.

Initial research results indicated that shop supervisors who naturally possessed the same interpersonal skills that were being taught were having good results with offenders. These skills were defined as a transformational leadership style. This translates as shop supervisors providing vision and a sense of

purpose to offenders, increasing their awareness of values and beliefs; expressing important objectives in simple ways; promoting problem solving; and treating offenders as individuals with different needs. It was shown that these leadership skills, which can be taught, have a positive effect on an offender's work attitude and behavior.

Future Outlook

CORCAN is presently developing programs to move itself squarely into Case Management Strategies by the 21st century.

CORCAN and Correctional Services Canada challenge will be the ability to rate offender progress in acquiring employability skills..

Two pilot projects have been set for Millhaven Institution and Westmorland Institution. The training will involve shop instructors, operations managers and some program staff and case management officers. All will participate in the first ten modules of Front Line Leadership training and the subsequent Pre and Post Test Assessment to be conducted by NHQ. Shop instructors will also receive training in case management and an introduction to core programs.

About People

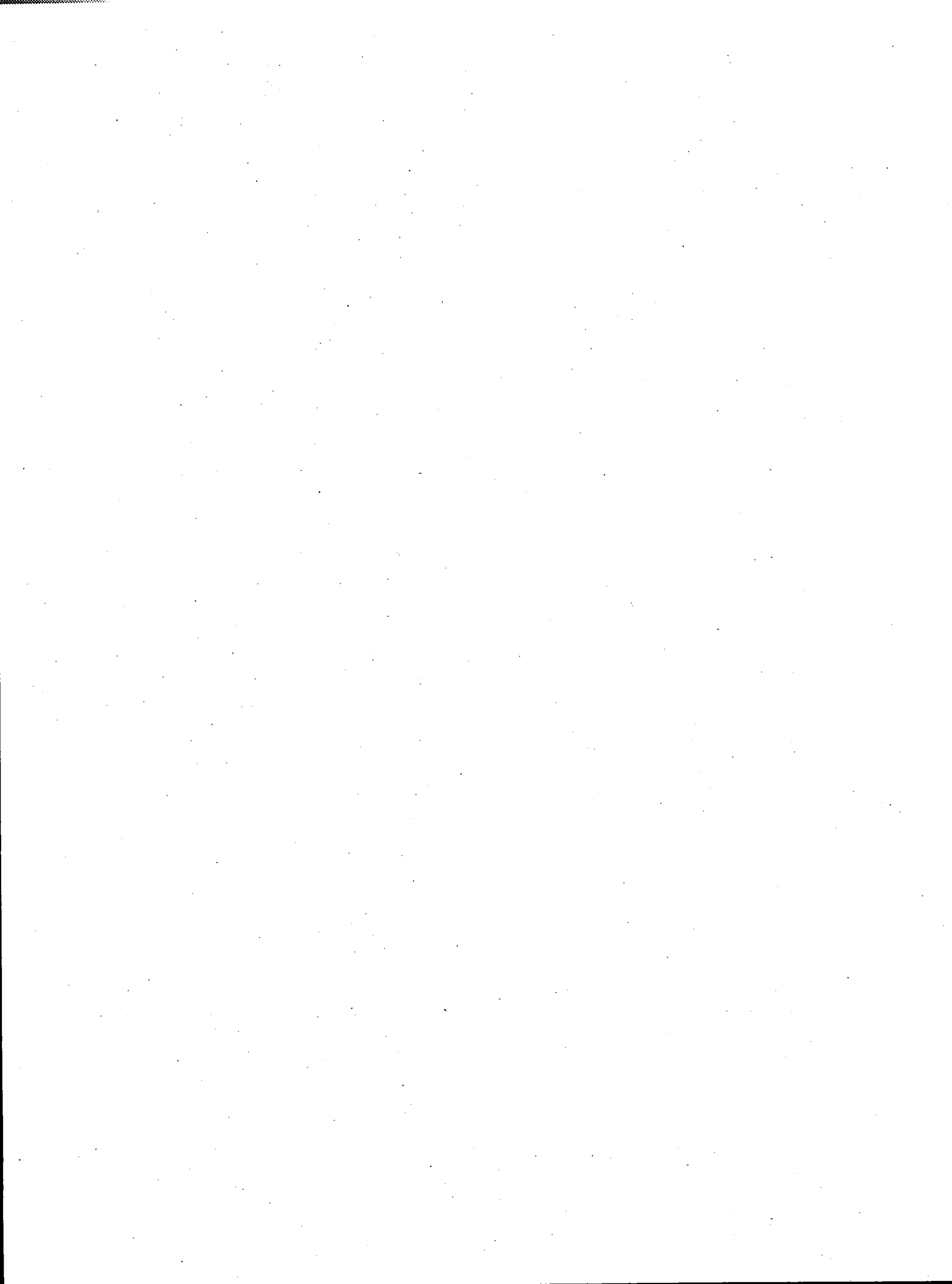
The fiscal year that just ended, like previous ones, had its share of happy and not-so-happy moments. Just as we were finishing this report, we were saddened to learn of the recent death of Mr. Jack Cooper, an advisor on CORCAN's Advisory Board for 1992-93 and 1993-94. Born in Toronto, Jack was President and CEO of Cooper Canada before his retirement. He was a member of a number of manufacturing and business associations, as well as of several committees within the federal government. In addition to his contributions to CORCAN, Jack was also a member of the Advisory Committee for Inmate Employment. He will be missed by those who had the privilege to know him.

Still on the subject of the Advisory Board, 1994-95 marked the end of the term of two other advisors, Mr. Roy Phillips and Justice Ian V. Dubiensi, as well as three members, Ms Elaine Thimot, Mr. Walter Brock and Mr. Erwin Wall. All these departures leave a gap that will be hard to fill. On a happier note, CORCAN was pleased to welcome Mr. Dick Martin to the Board. Dick has been Secretary - Treasurer of the Canadian Labour Congress since 1992.

Some major changes were made to the Management team during this past fiscal year. Mr. Mike Elkins returned to the position of Director of Operations for CORCAN's central area; Mr. Carter Powis was appointed to the newly created position of Director of Corporate Renewal; and Mr. Jim Laplante was named acting Director of Corporate Development on top of his duties as Director of Policy, Planning and Management Services. And 1994-95 saw the departure of Ms Lyse Lepage to the Department of Justice, and the arrival of Mr. Ray Saunders as Director of the new Construction Division.

We welcome all the new arrivals and wish everyone luck in their new positions.

On the subject of appointments, honours and other prizes, we were pleased to learn that Mr. Thomas Townsend, CORCAN's Chief Executive Officer, accepted the position of president of the Correctional Industries Association in the US for 1995.



MANAGEMENT'S REPORT

The Comptroller's Office has prepared the accompanying financial statements in accordance with the policy of Treasury Board on revolving funds, the reporting requirements and standards of the Receiver General for Canada, and the accounting policies stated in note 2.

The primary responsibility for the integrity and objectivity of these financial statements rests with CORCAN management. The financial statements include some information that is based on management's best estimates and judgment.

Management maintains and relies on financial management and internal control systems to ensure that transactions are executed in accordance with prescribed regulations, within parliamentary authorities and are properly recorded to maintain accountability of Government funds and to safeguard the Fund's assets. The Comptroller's Office maintains a set of accounts which provides a centralized record of the Fund's financial transactions.

The systems include the development and dissemination of written policies and procedures, and an organizational structure that provides for the segregation of responsibilities and the selection of qualified personnel.

A handwritten signature in black ink, appearing to read 'A. Tartif', written in a cursive style.

CORCAN Comptroller

BALANCE SHEET

AS AT MARCH 31

1995 1994

in thousands of dollars

ASSETS

Current Assets

Accounts Receivable

Government of Canada..... 11,381 7,390
Outside parties..... 1,577 700

12,958 8,090

Inventories (Note 3)..... 14,091 18,172

Livestock..... 2,592 2,879

Other..... 103 166

TOTAL CURRENT ASSETS 29,744 29,307

Fixed Assets (Note 4)

At cost..... 22,532 20,552

less: accumulated amortization..... (8,384) (4,969)

TOTAL FIXED ASSETS 14,148 15,583

Other

Deferred Charges less amortization..... 688 579

44,580 45,469

LIABILITIES

Current Liabilities

Accounts Payable (Note 5)

Government of Canada..... 3,332 1,250

Outside parties..... 2,103 4,940

Deferred revenue..... 740 421

TOTAL CURRENT LIABILITIES 6,175 6,611

Long - Term Liabilities:

Employee Termination Benefits..... 1,441 1,525

7,616 8,136

EQUITY OF CANADA

Contributed Capital..... 10,086 10,086

Accumulated net charges against the

Fund's authority..... 34,078 27,424

Retained Earnings..... (7,200) (177)

36,964 37,333

44,580 45,469

STATEMENT OF OPERATIONS

FOR THE PERIOD ENDED MARCH 31

	1995	1994
<i>in thousands of dollars</i>		
Revenue		
Industries	17,187	21,703
Agribusiness (Including Forestry).....	11,157	7,998
Services.....	4,011	3,234
Construction activities.....	1,761	
Training and correctional activities.....	16,568	17,615
TOTAL REVENUE	50,684	50,550
Cost of Goods Sold		
Industries	22,960	22,558
Agribusiness (Including Forestry).....	11,064	9,342
Services.....	3,843	1,264
Construction activities.....	1,567	
	39,434	33,164
GROSS MARGIN	11,250	17,386
Operating Expenses.....	7,516	7,855
Selling and Marketing Expenses.....	2,453	3,177
Administrative expenses.....	7,609	8,434
Cost of Capital.....	1,821	1,448
NET OPERATING MARGIN	(8,149)	(3,528)
Other Revenue.....	1,126	1,584
Net Margin (Deficit)	(7,023)	(1,944)

**STATEMENT OF ACCUMULATED SURPLUS (LOSS)
FOR THE YEAR ENDED MARCH 31**

	1995	1994
<i>in thousands of dollars</i>		
Balance, beginning of year	(177)	1,767
Net (loss) profit for the year.....	(7,023)	(1,944)
Balance, end of year	(7,200)	(177)

**REVOLVING FUND AUTHORITY
FOR THE PERIOD ENDED MARCH 31**

	1995	1994
<i>in thousands of dollars</i>		
Net Cash Balance at March 31.....	(34,078)	(27,424)
Amounts charged against the Fund after March 31.....	(5,597)	(6,327)
Amounts attributed to Fund after March 31.....	11,556	7,010
Accumulated net authority used , end of fiscal year.....	(28,119)	(26,741)
Authority limit.....	45,000	45,000
Unused authority carried forward	16,881	18,259

CHANGES IN FINANCIAL POSITION

FOR THE PERIOD ENDED MARCH 31

1995

1994

in thousands of dollars

Financial resources provided by (used in):

Operating activities

Net Margin (Deficit).....	(7,023)	(1,944)
Non - cash items:		
Provision for termination benefits.....	325	317
Amortization.....	3,532	2,817
	(3,166)	1,190
Changes in current assets and liabilities.....	(872)	(3,481)
Changes in other assets and liabilities:		
Payments for employee termination benefits.....	(409)	(454)
Deferred service charges.....	(227)	(625)
	(A)	(3,370)
	(4,674)	(3,370)

Investing activities

Additions to fixed assets:..... (B)	(1,980)	(7,653)
Net variance during period... (A) + (B)	(6,654)	(11,023)

Accumulated net charge against the fund - beginning of year.....

(27,424)	(16,401)
----------	----------

Accumulated net charge against the fund - end of year

(34,078)	(27,424)
----------	----------

NOTES TO THE FINANCIAL STATEMENTS

1. Authority and purpose

The CORCAN Revolving Fund was established under Appropriation Act No. 4, 1991/92, which authorized the establishment of the Fund effective April 1, 1992 in the current and subsequent fiscal years in accordance with terms and conditions prescribed by Treasury Board. The Fund has a continuing non lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$45,000,000 at any time. An amount of \$15,217,833, representing net assets assumed by the Fund was charged to this authority when the Fund became operative on April 1, 1992.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with generally accepted accounting principles.

(a) Capital assets

Capital assets are amortized from the year of acquisition on the straight line basis over their estimated useful lives as follows:

Plant and Equipment	10 years
Office furniture and equipment	10 years
Computer equipment.....	3 years
Vehicle Fleet.....	5 years

(b) Pension plan

Employees of CORCAN, an Agency within the Correctional Services Canada financed through the CORCAN Revolving Fund, are covered by the Public Service Superannuation Act and the Supplementary Retirement Benefits Act. The Government of Canada's portion of the pension cost is included in the employee fringe benefit charge assessed against the Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

(c) Employee termination benefits

Termination benefits accrue to employees over their years of service with the Government of Canada, as provided for under collective agreements. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees.

(d) Deferred charges

Deferred charges, consisting of manufacturing R & D costs and developments costs of computerized financial systems, are amortized on a straight-line basis. Periods of amortization are based on the future economic benefit of these costs.

(e) Deferred revenue

Deferred revenue corresponds to the unearned portion of the amount received from our stakeholders for our composting facility in Pittsburgh.

(f) Inventories

Inventories are valued as follows: Work in progress and finished goods at standard cost and raw materials at cost

(g) Recognition of revenue and expenses

Revenue and expenses are recognized in the year into which they occur, regardless as to when they are paid.

3. Inventories

\$ 000' s	
Raw Materials.....	(actual costs)..... 4,271
Work in progress.....	(standard costs)..... 836
Finished Goods.....	(standard costs)..... 8,984
	<u>14,091</u>

4. Fixed assets and accumulated amortization

\$ 000' s	Cost	Accumulated Amortization	Net Value
Plant and Equip.....	16,948	(5,511)	11,437
Furniture and Equip..	790	(136)	654
Computer Equip.....	2,329	(1,712)	617
Vehicle Fleet.....	2,465	(1,025)	1,440
	<u>22,532</u>	<u>(8,384)</u>	<u>14,148</u>

5. Current liabilities

\$ 000' s	
Accounts Payable:	
Government of Canada:	
Interdepartmental payables.....	1,435
Employee Benefits Plan.....	5
Health Insurance Benefits.....	0
Tax collected - Revenue Canada.....	71
Interest Payable.....	1,821
Outside Parties.....	2,103
Deferred Revenue	<u>740</u>
	6,175

6. Extraordinary item (Other Revenue)

The Other Revenue for the current year amounts to \$ 1,125,674.

Last fiscal year CORCAN has constructed a composting facility located on Federal property at Pittsburgh Institution. In return for a capital contribution, area municipalities and Federal government departments, have received the right to send their source - segregated waste to the facility for a pre - determined tipping fee. The plant is the exclusive property of CORCAN. The revenue generated from the sale of the rights is calculated on a 50% declining balance method.

Three-year Review

Fiscal Years ended March 31 <i>in thousands of dollars</i>	FY94/95	FY93/94	FY92/93
Statement of Operations			
Total Revenues	50,684	50,550	48,752
Cost of Goods Sold	39,434	33,164	30,830
Operating expenses	7,516	7,855	5,664
Selling and distribution	2,453	3,177	2,999
Administrative expenses	7,609	8,434	6,179
Cost of capital	1,821	1,448	1,313
<i>Operating Margin (Deficit)</i>	<u>(8,149)</u>	<u>(3,528)</u>	<u>1,767</u>
Other Revenue	1,126	1,584	-
Net Margin (Deficit)	(7,023)	(1,944)	1,767
Balance Sheets			
Accounts Receivable	12,958	8,090	6,967
Inventories	14,091	18,172	16,439
Livestock	2,592	2,879	1,944
Other Current Assets	103	166	3
Fixed Assets less Amortization	14,148	15,583	10,700
Deferred Charges less amortization	688	579	
<i>Total Assets</i>	<u>44,580</u>	<u>45,469</u>	<u>36,053</u>
Accounts Payables	5,435	6,190	6,137
Deferred Revenue	740	421	
Employee Termination Benefits	1,441	1,525	1,662
<i>Total Liabilities</i>	<u>7,616</u>	<u>8,136</u>	<u>7,799</u>
Contributed Capital	10,086	10,086	10,086
Net Charges against Fund's Authority	34,078	27,424	16,401
Retained Earnings	(7,200)	(177)	1,767
<i>Equity of Canada</i>	<u>36,964</u>	<u>37,333</u>	<u>28,254</u>
Statement of Changes in Financial Positions			
<i>Operating Activities:</i>			
Net Margin (Deficit)	(7,023)	(1,944)	1,767
<i>Non-cash items:</i>			
Provision for termination benefits	325	317	259
Amortization	3,532	2,817	2,199
Allowance for doubtful accounts	-	(6)	40
Changes in current assets and liabilities	(872)	(3,475)	(2,438)
Changes in other assets and liabilities			
Payments for termination employee benefits	(409)	(454)	(197)
Deferred service charges	(227)	(625)	-
<i>Investing Activities:</i>			
Additions to fixed assets	(1,980)	(7,653)	(2,813)
Increase (decrease) in liquidity in the current year	(6,654)	(11,023)	(1,183)
Net Charges Carry-Over from previous years	(27,424)	(16,401)	(15,218)
Net Charges against Fund's Authority	(34,078)	(27,424)	(16,401)
Revolving Fund Authority			
Authority Limit	45,000	45,000	45,000
Net Cash Balance at March 31	(34,078)	(27,424)	(16,401)
Net Amounts charged against the Fund after March 31	5,959	683	(34)
Unused Authority carried forward	16,881	18,259	28,565

CORCAN Operations

MAP No	INSTITUTION	LOCATION	BUSINESS LINE	OPERATION
PACIFIC REGION				
1	William Head	Victoria, BC	Services	Telemarketing
2	Mission	Mission, BC	Furniture	Paint, Wood, Metal
3	Ferndale	Mission, BC	Agribusiness	Forest Harvesting, Silviculture
4	Kent	Agassiz, BC	Textiles, Furniture	Paint, Wood, Garments
5	Mountain	Agassiz, BC	Textiles, Furniture	Paint, Wood, Garments
6	Elbow Lake	Harisson Mills, BC	Agribusiness	Forest Harvesting, Silviculture, Firefighting,
PRAIRIE REGION				
7	Bowden	Innisfail, AB	Furniture	Paint, Wood, Metal, Upholstery
8	Bowden Farm	Innisfail, AB	Agribusiness	Beef, Vegetable, Food Processing, Groudskeeping
9	Edmonton	Edmonton, AB	General Manufacturing	Paint, Metal
9	Edmonton prison for Women	Edmonton, AB	Services	Graphics
10	Drumheller	Drumheller, AB	Furniture	Paint, Wood, Metal, Upholstery
11	Saskatchewan	Prince Albert, Sask	Textiles, Services, General Manufacturing	Paint, Wood, Metal, Garments, Printing
12	Riverbend	Prince Albert, Sask	Agribusiness	Dairy, Eggs, Beef, Pork, Vegetables, Groudskeeping
13	Stony Mountain	Winnipeg, MB	Textiles, Furniture	Paint, Wood, Metal, Garments
14	Rockwood	Winnipeg, MB	Agribusiness	Dairy, Eggs, Beef, Pork, Vegetables, Greenhouse
ONTARIO REGION				
16	Beaver Creek	Gravenhurst, ON	Services	ADP Microfilm
17	Warkworth	Campbellford, ON	Furniture, Construction	Paint, Wood, Metal, Construction
18	Millhaven	Bath, ON	Furniture, Construction	Paint, Wood, Construction
19	Collins Bay	Kingston, ON	Services, Furniture, General Manufacturing, Construction	Paint, Wood, Construction
20	Frontenac	Kingston, ON	Agribusiness	Dairy, Eggs
21	Kingston	Kingston, ON	Furniture, General Manufacturing	Upholstery, Canvas
22	Prison for Women	Kingston, ON	Program to start in 95-96	Upholstery
23	Joyceville	Kingston, ON	General Manufacturing	Paint, Metal
24	Pittsburg	Kingston, ON	Agribusiness, Construction	Beef, Vegetables, Horticulture, Construction
QUEBEC REGION				
25	LaMacaza	LaMacaza, QC	Services	Printing
26	Leclerc	Laval, QC	Agribusiness, Textiles, Furniture	Paint, Wood, Metal, Upholstery, Laundry, Bakery
27	Archambault	Ste-Anne-des-Plaines, QC	General Manufacturing	Paint, Wood, Leather Products
28	Cowansville	Cowansville, QC	Furniture	Paint, Wood, Metal
29	Drummond	Drummondville, QC	Textiles	Garments
30	Donnacona	Donnacona, QC	Textiles, General Manufacturing	Garments, Metal, Paint
31	Port-Cartier	Port-Cartier, QC	Textiles	Garments
ATLANTIC REGION				
32	Dorchester	Dorchester, NB	Furniture	Paint, Wood, Metal
33	Westmorland	Dorchester, NB	Services	ADP Coding, ADP Data Entry
34	Westmorland Farm	Dorchester, NB	Agribusiness	Dairy, Eggs, Beef, Pork, Field Crop, Greenhouse, Maintenance
35	Springhill	Springhill, NS	Furniture	Paint, Wood, Metal

