

2021

Annual REPORT



MICHIGAN STATE INDUSTRIES
Building Bridges to Success



www.michigan.gov/msi

Mackinac Bridge, Michigan



CELEBRATING

100

— YEARS

FROM the ADMINISTRATOR

We entered 2021 after surviving one of the most challenging years, for not only Michigan State Industries (MSI), but everyone in the world. Although slowing down from 2020, Covid-19 continued to present obstacles to maneuver in 2021. If 2020 taught us anything it was to be resilient and flexible while moving forward, taking on whatever was in the way of progress along the way. On behalf of all the dedicated full-time employees at Michigan State Industries, I want to thank you for supporting prison industries.

What we do, we feel is important. It allows us to be self-funded, save Michigan taxpayer dollars, and prepare offenders that we have trained to be efficient upon release. Over the past twenty years, the re-entry initiative has been a priority for the Michigan Department of Corrections. We believe that MSI plays a key role in that effort. Over those twenty years the number of incarcerated individuals has dropped in the State, along with the recidivism rate which now stands at 23.6% and places Michigan fourth best in the nation.

Providing offenders with marketable skills gives them better opportunities to become successful contributing members of society upon release. MSI currently operates 12 different factories in 9 facilities across the state. All of the MSI employees do remarkable things to keep us successful and moving forward in a positive direction. Correctional Industries vs private sector industries present completely different challenges. It's not easy working inside prisons. They are full of obstacles that private sector operations never have to worry about. Despite that our employees maintain safe operations and serve as mentors, coaches, and trainers to the offenders we employ statewide.



COVID-19 remained challenging in 2021, but MSI staff continued to step up to those challenges. Not much is back to normal, so we continued to operate in our new "normal." We continued to produce large quantities of personal protective equipment for our agency and outside customers. COVID-19 has taught us to rely on our values and continuous improvement mission. Always taking a closer look at our processes to become even more efficient. Our employees never settle for status quo or do things just because that's the way they've always been done. They are always looking to improve and move towards a common goal together. As the acting Administrator it is a privilege to work alongside them and be one of their co-workers.

Our mission continues to be **"Building Bridges to Success"** by educating and empowering Michigan offenders to become law-abiding, tax paying citizens through successful work skills training and real opportunities. On behalf of all of us at MSI, I want to thank you for your support. We could not do it without you!!

Greg Dancer

Acting Administrator, Michigan State Industries

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MANAGEMENT Discussion & Analysis

This Annual Report provides an analysis and evaluation of the current and prospective restructuring, cost reductions, asset management and progress towards the financial stability of Michigan State Industries while preparing prisoners for their return to society.

Restructuring

Michigan State Industries (MSI) is continually evolving the organizational plan that will streamline operations and improve efficiency allowing us to better serve MSI customers, the Department, and the Michigan taxpayer. MSI is working to assess current operations as it aligns with the core mission of prisoner success while restructuring the business model and operations to become fiscally solvent. In 2021, we began collecting live shop floor data, during normal production at the license plate factory in Adrian, along with the garment factory at Carson City. Plans are in place to continue this implementation throughout our operations. MSI invested capital in the implementation of a new ERP system to replace its legacy system, SyteLine, to Global Shop Solutions. The new ERP system will allow for a more accurate method to develop product cost.

Closures

In the fall of 2020, the Detroit reentry Center was closed which was the location of our janitorial factory. This operation was moved into a newly renovated workspace at the Parnall Correctional facility (SMT) in Jackson, MI. In January of 2021 the factory officially opened and continues to service facility needs with janitorial products in kitchens, food service and housing units. We also sell to several County jails throughout the state. This move was significant, difficult, but turned out to be very efficient and successful.

Successes

MSI's management team remains committed to working with the Department of Corrections to identify and collaborate with other key stakeholders, and to help meet its mission of protecting public safety and improving parolee recidivism. The number of incarcerated individuals has since dropped in the State, along with the recidivism rate which now stands at 23.6% and places Michigan fourth best in the nation.

Contributions

MSI is an effective management tool for reducing inmate idleness, providing structured training programs, instilling transferrable job skills, a positive work ethic, social management skills and personal responsibility. Approximately 485 prisoners per day are employed with MSI engaged in 12 factory operations to meet the needs of government and select nonprofit organizations. These prisoners are accountable daily for being on time, meeting production goals and working as a team. In 2021 MSI continued to respond to the needs of the department related to the COVID-19 pandemic by making PPE, such as masks, gowns, and isolation suits.

Results to Date

In FY 2018 MSI posted its first positive cash position in over 10 years, an \$8 MILLION-dollar improvement. MSI has continued each fiscal year since with a positive cash flow.

Moving Forward

MSI will continue to use LEAN business processes throughout its organization. MSI staff is involved in the department's EPIC efforts. Collaboration began with Education and Prisoner Success to more fully integrate services relating to preparing prisoners for their return to society. MSI's management team is committed to working with the Department of Corrections and other key stakeholders in utilizing collaborative efforts to refine its operations and utilize assets for the maximum benefit of the State.



MICHIGAN STATE INDUSTRIES

Building Bridges to Success

MISSION

“Building Bridges to Success” by educating and empowering Michigan Offenders to become law-abiding, tax paying citizens through successful work skills training and real opportunities.

VALUES

PERSEVERANCE – to keep working to make things better for our customers, our co-workers and our staff and toward getting the job done!

ACCOUNTABILITY – Both for ourselves, our co-workers, our staff and others to ensure excellence

RESPECT – In how we treat co-workers, staff, and customers at all times

TRUST – in our co-workers and staff that we can do this together when we work together in a blame-free environment

NET INCOME – achieving the objective to provide quality goods and services to our customers at zero cost to the taxpayers of the State of Michigan and high-quality job skills for our co-workers and staff.

EXCELLENCE – In how we train our staff and co-workers, in our work, our products and services

RESOURCEFULNESS - to try something new, to do something different, to think outside the box, to seek solutions

SERVANT LEADERSHIP – ensuring management exists to support staff in accomplishing the objectives of the organization

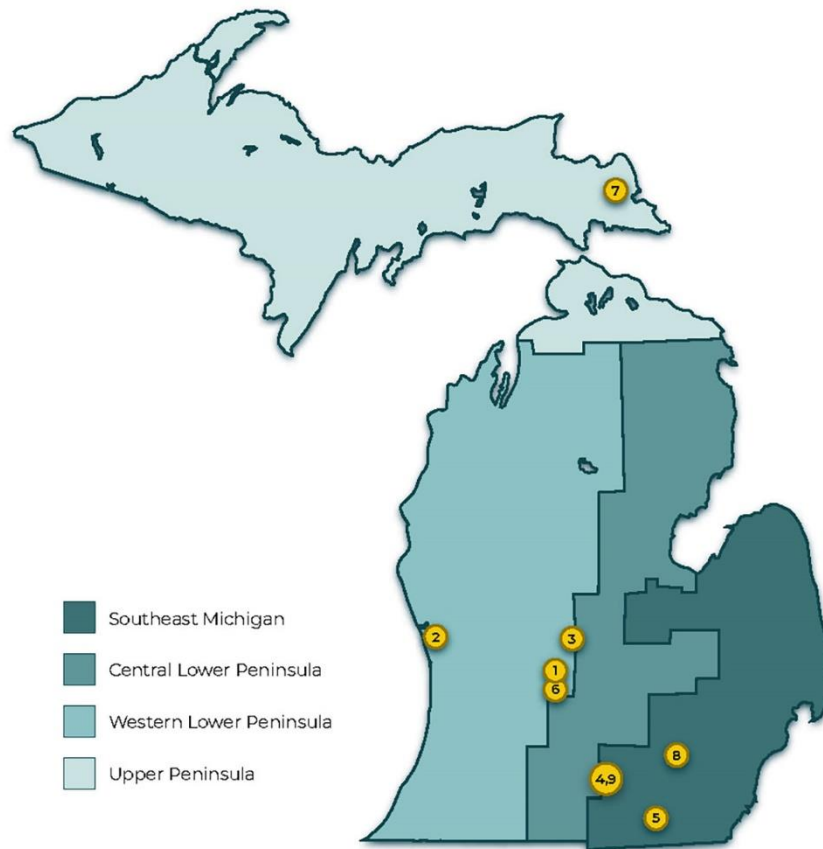
HONESTY – Being truthful in all things

INTEGRITY – Doing the right thing, not necessarily the easy thing

PROFESSIONALISM – Conducting business in advance, openly, always seeking solutions to problems, respecting others’ time and business confidentiality, communicating timely using oral or written means, utilizing appropriate language, grammar and spelling to best represent MSI and MDOC.

LOCATIONS

Michigan State Industries operates 12 factories at 9 locations across the state. Logistics and resource availability play a significant role in the location of each factory. Each factory is supervised by a plant manager, operates either one or two shifts, and employs prisoners as required to meet customer demands.



Our Facilities

1. Bellamy Creek

Ionia, Michigan

- Shoes
- Sign Shop

2. Brooks

Muskegon, Michigan

- Laundry

3. Carson City

Carson City, Michigan

- Garment

4. Cotton

Jackson, Michigan

- Print Shop
- Mattress

5. Gus Harrison

Madison Charter Twp, Michigan

- License Plate
- Optical Lab

6. Ionia Maximum

Ionia, Michigan

- Garment

7. Chippewa

Kincheloe, Michigan

- Garment

8. Huron Valley

Pittsfield Twp, Michigan

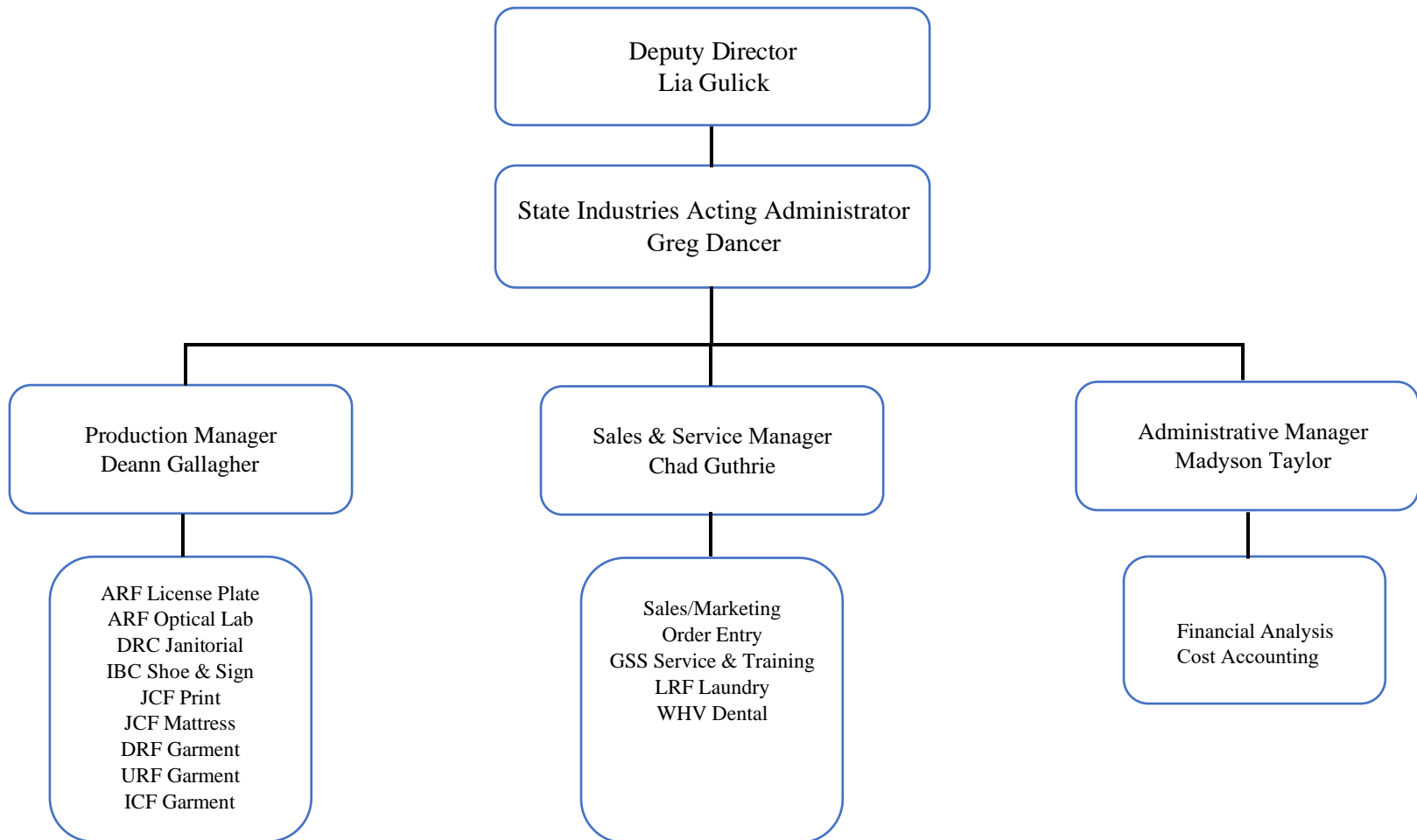
- Dental Lab

9. Parnall

Jackson, Michigan

- Janitorial

Michigan Department of Corrections
Budget and Operations Administration
Michigan State Industries
Administration / Operations



The *Carson City Garment* Factory

Located at the Carson City Correctional Facility (DRF) 10274 Boyer Road in Carson City, Michigan 48811. DRF houses Level IV, II and I prisoners, with a net operating capacity of 2,226 beds and supervised by Warden Randy Rewerts. This factory operates 5 days per week and inmates are scheduled to work from 6:30am to 1:42pm. The Carson City Garment Factory employs Level I prisoners only and manufactures all Michigan correctional officer uniform pants, Emergency Response pants, new officer employee school PT wear, various custody belt device holders such as radio, personal protection device, handcuff cases, etc... It also manufactures prisoner purchased athletic wear (shorts, sweatshirts, sweatpants) prisoner uniform shirts and pants and prisoner pajamas. Carson City was also responsible for manufacturing large quantities of PPE to help in the fight against COVID 19.

This factory employs a total of 6.5 civilian employees and 104 prisoner workers.

Marketable Skills:

Job skills such as sewing machine operators, machine repair and maintenance, patternmakers, cutters, physical and raw goods clerks, shipping and receiving duties, trimmers, order fulfillment, crew leaders.



The *Chippewa Garment* Factory

Located at the Chippewa Correctional Facility (URF) W. M-80 in Kincheloe, Michigan 49784 which houses Level IV, II and I prisoners, with a net operating capacity of 2,339 beds and supervised by Warden Jamie Corrigan. This factory operates five days a week and inmates are scheduled to work from 6:42am to 1:45pm. The Chippewa Garment Factory employs Level II prisoners only and manufactures all Michigan Correctional Officer winter wear (coats, bib overalls, vests, caps) and officer shirts, prisoner purchased winter coats, food service chef shirts, ANSI safety wear and various other items. Chippewa was also responsible for manufacturing large quantities of PPE to help in the fight against COVID 19.

This factory employs a total of four civilian employees and 88 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, crew leaders, shipping and receiving duties. Specialty skills to the garment industry includes pressers, sewing machine operator, patternmakers, cutters, trimmers, and embroidering skills.



The *Ionia Garment* Factory

Located at the Ionia Correctional Facility (ICF) 1576 W. Bluewater Hwy. in Ionia, Michigan 48846. ICF houses Level V and II prisoners only, with a net operating capacity of 643 beds and supervised by Warden John Davids. This factory operates 5 days per week and inmates are scheduled to work from 7:15 am to 2:15 pm. The Ionia Garment Factory Incubator employs Level II prisoners only and manufactures American flags and scrub suits for MDOC staff, as well as thermals, sweats, t-shirts and ride out clothing for prisoner issue. Ionia was also responsible for manufacturing large quantities of PPE to help in the fight against COVID 19.

This factory employs a total of 2.5 civilian employees and 54 prisoner workers.

Marketable Skills:

Job skills such as sewing machine operators, machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, pattern- makers, inventory control, crew leaders, quality control inspectors.



The *Mattress* Factory

Located at the G. Robert Cotton Correctional Facility (JCF) 3500 N. Elm Road in Jackson, Michigan 49201. JCF houses Level I, II and IV prisoners, with a net operating capacity of 1,811 beds and supervised by Warden Noah Nagy. The factory operates five days a week and inmates are scheduled to work from 6:35 am to 2:15 pm. Only level I and II prisoners are employed in the Mattress Factory. This factory produces mattresses, pillows, laundry bags, shower curtains and non-custody outerwear for the MDOC. Its customer base also includes many of the State's county jail programs, DNR campgrounds, and has begun exploring the non-profit hospital markets. The Jackson Mattress Factory was also responsible for manufacturing large quantities of PPE to help in the fight against COVID 19.

This factory employs two civilian employees and a total of 40 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, quality assurance managers, stock clerks, order fulfillment, crew leaders, sewing machine operators, stock clerks, order fillers,

The *License Plate* Factory

Located at the Gus Harrison Correctional Facility (ARF) 2727 East Beecher Street in Adrian, Michigan 49221. ARF houses Level IV, II and I prisoners, with a net operating capacity of 2,203 beds and is supervised by Warden Sherman Campbell. The License Plate Factory operates four days a week and inmates are scheduled to work from 6:15 am to 3:25 pm. The License Plate Factory employs Level I prisoners only and provides both license plate manufacturing services for the Michigan Secretary of State and custom fund-raising plates for individual groups. It also produces acrylic awards, a large array of custom vinyl products, a variety of laser cut wood products such as cutting boards, mitten clocks, Lazy Susan and of course the famous license plate birdhouses.

This factory employs a total of five civilian employees and 50 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, silk screen operators, forklift operators, mixing of inks, computer design, carpentry skills, crew leaders, press machine setters, stock handlers.



The *Print* Factory

Located at the G. Robert Cotton Correctional Facility (JCF) 3500 N. Elm Road, Jackson, Michigan, 49201. JCF houses Level IV, II and I prisoners, with a net operating capacity of 1,811 beds and supervised by Warden Noah Nagy. The Print Shop operates 5 days per week, from 6:35 am to 2:15 pm. Level I and II prisoners are employed by the print shop which produces thousands of forms, booklets, brochures, posters, business cards and envelopes for MDOC, other state agencies, and non-profit customers throughout the state of Michigan.

This factory employs a total of two civilian employees and 6 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, digital press-operation, finishing/bindery, printing press operator, teamwork.



The *Shoe* Factory

Located at the Bellamy Creek Correctional Facility (IBC) 1727 West Bluewater Hwy. in Ionia, Michigan 48846. IBC houses Level IV, II and I prisoners, with a net operating capacity of 1,835 beds and supervised by Warden Matt Macauley. This factory operates five days per week and inmates are scheduled to work from 6:45 am to 1:35 pm. The Shoe Factory employs Level II prisoners only and manufactures leather oxford shoes and boots for both prisoners and MDOC custody staff. It also produces orthopedic shoes as directed from a prescription from MDOC Health Care staff and athletic shoes for prisoner purchase. Officer leather belts are also manufactured at this facility.

This factory employs a total of 2.5 civilian employees and 45 prisoner workers.

Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, shoe and leather production, office clerks, shipping and receiving duties, inventory control, machine operation, safety skills, quality control, production manufacturing, stock clerk/order fulfillment, time and attendance, teamwork.



The *Sign* Factory

Located at the Bellamy Creek Correctional Facility (IBC) 1727 West Bluewater Hwy. in Ionia, Michigan 48846. IBC houses Level IV, II and I prisoners, with a net operating capacity of 1,835 beds and supervised by Warden Matt Macauley. The factory operates 5 days per week and inmates are scheduled to work from 6:45am to 1:35pm. The Sign Shop Employs Level II prisoners only and provides road signs to customers across the state of Michigan, both within the MDOC and throughout state government, county road commissions and others. Additional products include Trail Signs, Labels, Decals, Banners, Recycle Signage, Wooden Signage and Apparel Screening.

This factory employs a total of 2.5 civilian employees and 22 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, CNC programmers, graphic designers, press machine setters/operators, painting, coating and decorating workers, photographic process workers/processors, office clerks, stock handlers, shipping and receiving duties.

The *Janitorial* Factory

Located at the Parnall Correctional Facility (SMT) 1780 East Parnall Road in Jackson, Michigan 49201. SMT houses nearly 1,700 level I adult male prisoners ranging from 18 years of age and older. The SMT facility serves as an in-reach site for the entire state of Michigan, as an in-reach facility, they are charged with the task of readying prisoners for a successful transition to their community. SMT is supervised by Warden Dave Shaver. The Janitorial Factory operates 5 days a week and inmates are scheduled to work from 6:30 am to 1:45 pm. Production includes the mixing and packaging of numerous cleaning supplies, as well as the skills obtained in receiving/shipping and inventory control. Inmates at the janitorial factory understand the concept of inventory and material control, which assist them in obtaining employment in the community upon release. The Janitorial Factory was also a key operation making and supplying cleaning supplies to the MDOC during the COVID 19 pandemic.

This factory employs a total of three civilian employees and 20 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, basic training of forklift operations/trainers and concept of inventory and material control, setters, compactors, mixing and packaging of numerous cleaning supplies.

Brooks Laundry

Located at the E. C. Brooks Correctional Facility (LRF) 2500 S. Sheridan Drive in Muskegon Heights, Michigan 49444. LRF houses Level IV, II and I prisoners with a net operating capacity of 1,238 beds and supervised by A Chris ing This factory operates 5 days a week and inmates are scheduled to work from 7:30am to 3:30pm. The Brooks Laundry Factory employs Level II prisoners only and provides laundry services for the two Muskegon area correctional facilities as well as the Grand Rapids Veterans' Facility, Walter Reuther, Hawthorn Center, Livingston County Animal Control, Livingston County EMS, Center for Forensic Psych, Kalamazoo Psychiatric Hospital, Michigan State Police. Brooks Laundry was a very important operation during the COVID 19 pandemic, processing laundry for two MDOC facilities and five state/county hospitals.

This factory employs a total of three civilian employees and 29 prisoner workers.

Marketable Skills:

Inmates learn the soft skills needed to be successful in today's job market. Job skills such as machine operators, machine repair and maintenance, office clerks, sewing, shipping, and receiving duties, crew leaders and assistant crew leaders, laundry and dry-cleaning workers, pressers, teamwork, accountability.



The *Dental* Laboratory

Located at the Women's Huron Valley Correctional Facility (WHV) 3201 Bemis Road in Ypsilanti, Michigan 48197. WHV houses Level IV, II and I prisoners, with a net operating capacity of 2,367 beds. The facility is supervised by Warden Jeremy Howard. Only Level I and II prisoners are employed in the dental laboratory, which has a very long training period and a very high employment rate upon release. The factory operates 4 days a week and inmates are scheduled to work from 5 30 am to 2:48pm. This factory provides all dentures, bite splints, and dental repairs for MDOC prisoners. As the MDOC prisoner population is the only customer for this service, which are under the medical jurisdiction of the MDOC Health Care Division, all costs of the program are paid directly by MDOC Health Care based on historical cost estimates. Actual cost and a reconciliation to estimates are performed at year end.

This Laboratory employs a total of one civilian employee and 11 prisoner workers.



Marketable Skills:

Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, dental lab technicians, removable partial and full denture product manufacturing, quality control and crew leader.

The *Optical* Laboratory

is a co-operative operation between MDOC Education and MSI. It is located at the Gus Harrison Correctional Facility (ARF) 2727 E. Beecher St., Adrian, Michigan 49221. The facility is supervised by Warden Sherman Campbell. ARF houses prisoners in Level IV, II and I and inmates are scheduled to work from 7:00 am to 3:25 pm. The Optical Lab is supervised by a Trades Instructor under agreement with MSI that MSI will provide all equipment and materials required for the manufacture and distribution of optical wear to MDOC prisoners and staff. In addition, MSI has also agreed to pay one time for the prisoners to take the test necessary to earn their American Board of Opticianry Certification.

This laboratory employs one civilian employees funded through Education. It has 15 board-certified prisoners. This group, as well as students in the program, also work to sort donated glasses for redistribution to the needy in Michigan and donated glasses are used to help the needy in third world countries such as Dominica, Liberia and Mozambique.

Marketable Skills:

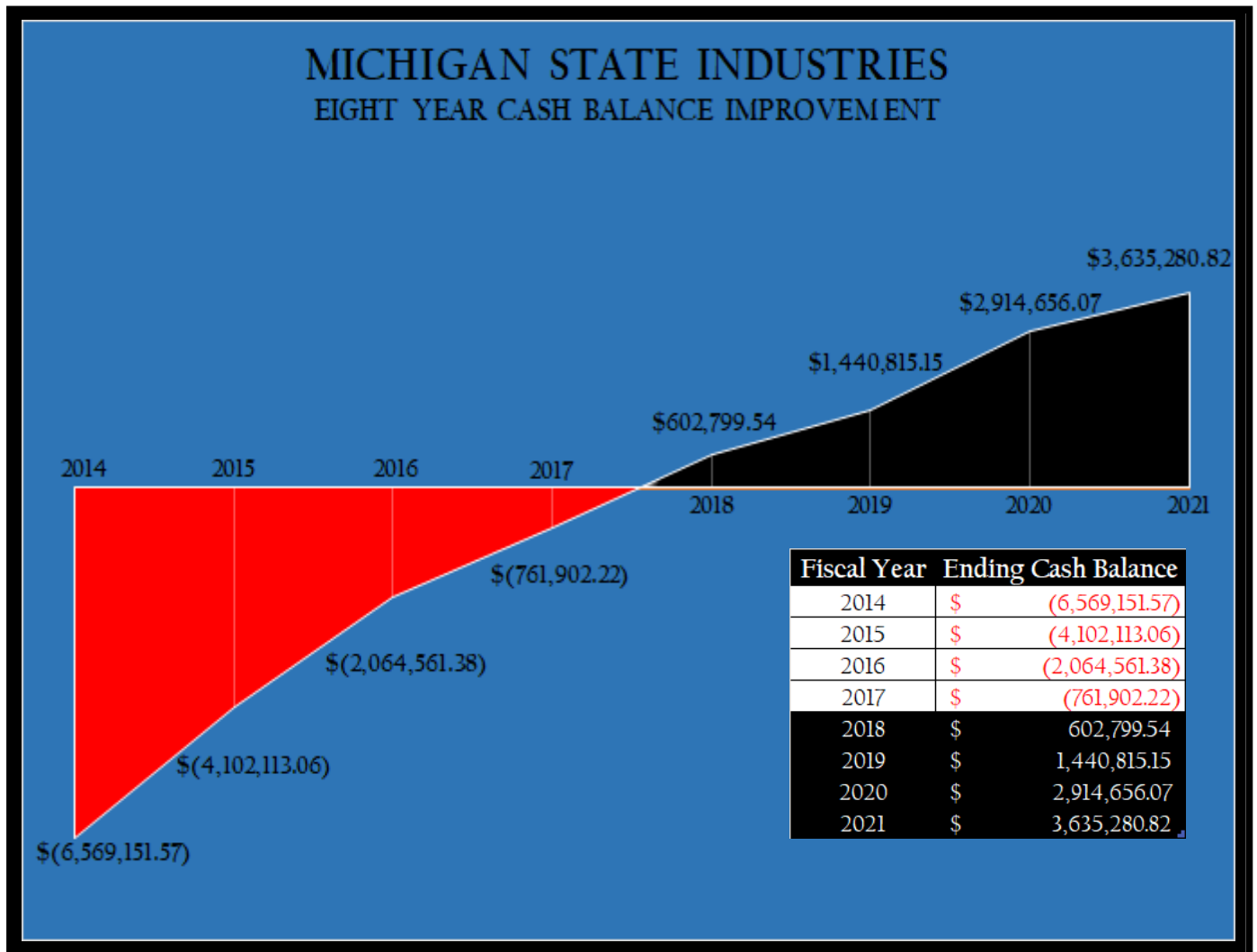
Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, health care support worker, stock clerk/order fulfillment, edger, quality control inspection, lens finisher, polisher and coater, ophthalmic lab technician, step 1 blocker, generator, stock handler.





MSI at a glance:

TOTAL NET SALES THROUGH FISCAL YEAR 2021	\$15,362,048
PERCENTAGE OF TOTAL SALES TO DEPT. OF CORRECTIONS	69%
NUMBER OF INDUSTRY FACTORIES	12
NUMBER OF NEW INDUSTRIES PLANNED	0
WAGES PAID TO PRISONER WORKERS FISCAL YEAR 2021	\$568,590
NUMBER OF CIVILIAN STAFF	43
AMOUNT EXPENSED FROM RAW MATERIALS FISCAL YEAR 2021	\$6,235,307



Monthly Financial Summary

Year to Date as of September 30, 2021

Month Ended: 9/30/2021

Month Ended: 9/30/2020

	Sales & Transfers	Cost of Sales	Gross Margin	Sales & Transfers	Cost of Sales	Gross Margin
Administration	\$ -	\$ -	\$ -	\$ -	\$ 52,821	\$ (52,821)
Shoe	\$ 786,779	\$ 903,409	\$ (116,630)	\$ 1,073,333	\$ 1,037,244	\$ 36,089
License Plate	\$ 3,342,908	\$ 2,243,299	\$ 1,099,609	\$ 3,282,501	\$ 2,420,095	\$ 862,406
Sign Shop	\$ 598,216	\$ 659,488	\$ (61,272)	\$ 918,946	\$ 876,329	\$ 42,616
Mattress	\$ 1,124,388	\$ 940,375	\$ 184,013	\$ 1,192,097	\$ 847,437	\$ 344,661
Janitorial Products	\$ 2,688,476	\$ 2,225,881	\$ 462,595	\$ 2,796,159	\$ 1,917,268	\$ 878,891
Thumb Laundry	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Chippewa Garment	\$ 2,041,836	\$ 1,384,234	\$ 657,602	\$ 1,695,113	\$ 1,207,426	\$ 487,687
Carson City Garment	\$ 1,830,227	\$ 1,734,152	\$ 96,075	\$ 2,801,877	\$ 2,191,438	\$ 610,439
Brooks Laundry	\$ 1,008,555	\$ 970,374	\$ 38,181	\$ 1,100,923	\$ 840,607	\$ 260,317
Dental Lab	\$ 292,108	\$ 142,423	\$ 149,685	\$ 314,160	\$ 181,939	\$ 132,221
Print Shop	\$ 443,311	\$ 401,951	\$ 41,360	\$ 528,722	\$ 667,991	\$ (139,269)
Optical Lab	\$ 211,117	\$ 123,144	\$ 87,972	\$ 130,985	\$ 82,439	\$ 48,545
I-Max Garment	\$ 994,126	\$ 1,055,956	\$ (61,830)	\$ 839,374	\$ 691,269	\$ 148,105
TOTAL ALL FACTORIES	\$ 15,362,048	\$ 12,784,686	\$ 2,577,362	\$ 16,674,190	\$ 13,014,305	\$ 3,659,886
Business Office						
Selling & Admin Expenses			\$ 586,954			\$ 3,057,320
Loss on Discontinued Operations			\$ (45,575)			\$ (130,304)
Miscellaneous Revenue			\$ 17,338			\$ 25,523
MSI NET MARGIN			<u>\$ 1,962,171</u>			<u>\$ 497,785</u>
NPL Balance Adjustment included in Selling & Admin Expenses						<u>\$ 456,854</u>
Adjusted Fiscal Year MSI Net Margin			<u>\$ 1,962,171</u>			<u>\$ 954,639</u>

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2021
Consolidated: Garment Operations

	Mattress	Chippewa	Carson City	Ionia	Total
General Sales	\$ 1,124,388	\$ 2,041,836	\$ 1,830,227	\$ 994,126	\$ 5,990,578
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Returns & Allowances	\$ -	\$ -	\$ -	\$ -	\$ -
 Net Sales and Transfers	 \$ 1,124,388	 \$ 2,041,836	 \$ 1,830,227	 \$ 994,126	 \$ 5,990,578
Costs of Goods Sold:					
Direct Materials	\$ 586,134	\$ 625,693	\$ 879,792	\$ 419,515	\$ 2,511,135
Direct Prisoner Labor	\$ 48,093	\$ 90,793	\$ 82,599	\$ 57,242	\$ 278,727
Indirect Prisoner Labor	\$ 4,835	\$ 8,546	\$ 13,974	\$ 19,714	\$ 47,069
Heat, Light & Power	\$ -	\$ -	\$ 74,434	\$ 40,639	\$ 115,073
Maintenance of Assets	\$ 13,315	\$ 5,588	\$ 33,930	\$ 4,713	\$ 57,546
Equipment Less than \$1000	\$ -	\$ 3,320	\$ 3,065	\$ 217	\$ 6,602
Inventory Adjustments	\$ 15,704	\$ 53,462	\$ 65,471	\$ 31,839	\$ 166,476
Building Depreciation	\$ 2,576	\$ 1,685	\$ 23,263	\$ 26,868	\$ 54,392
Equipment Depreciation	\$ 8,688	\$ 20,623	\$ 21,690	\$ 6,571	\$ 57,572
Other Manufacturing Expenses	\$ 68,260	\$ 64,958	\$ 56,779	\$ 81,882	\$ 271,879
Factory Supervision	\$ 192,770	\$ 509,566	\$ 479,154	\$ 366,755	\$ 1,548,245
 Total Cost of Goods Sold	 \$ 940,376	 \$ 1,384,233	 \$ 1,734,152	 \$ 1,055,955	 \$ 5,114,716
 Gross Margin	 \$ 184,013	 \$ 657,603	 \$ 96,075	 \$ (61,829)	 \$ 875,862
Selling & Administrative Expenses:					
Selling Expenses	\$ 50,827	\$ 51,324	\$ 68,524	\$ 45,382	\$ 216,057
Administration Expenses	\$ (20,909)	\$ (18,919)	\$ (57,734)	\$ (9,236)	\$ (106,798)
 Total Selling & Admin. Expenses	 \$ 29,918	 \$ 32,405	 \$ 10,790	 \$ 36,146	 \$ 109,259
 Miscellaneous Revenues	 \$ 304	 \$ 608	 \$ 760	 \$ 456	 \$ -
 Gain (loss) From Discontinued Operations	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -
 Net Margin	 \$ 154,399	 \$ 625,806	 \$ 86,045	 \$ (97,519)	 \$ 766,603

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2021
Consolidated: Laundry Operations

	Thumb	Brooks	Total
General Sales	\$ -	\$ 1,008,555	\$ 1,008,555
Transfers	\$ -	\$ -	\$ -
Sales Returns & Allowances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Sales and Transfers	\$ -	\$ 1,008,555	\$ 1,008,555
Prime Expenses:			
Direct Materials	\$ -	\$ 22,687	\$ 22,687
Direct Prisoner Labor	\$ -	\$ 43,584	\$ 43,584
Indirect Prisoner Labor	\$ -	\$ 6,698	\$ 6,698
Heat, Light & Power	\$ -	\$ 113,158	\$ 113,158
Maintenance of Assets	\$ -	\$ 33,310	\$ 33,310
Equipment Less than \$1000	\$ -	\$ -	\$ -
Inventory Adjustments	\$ -	\$ 963	\$ 963
Building Depreciation	\$ -	\$ 21,081	\$ 21,081
Equipment Depreciation	\$ -	\$ 10,177	\$ 10,177
Other Manufacturing Expenses	\$ -	\$ 205,998	\$ 205,998
Factory Supervision	<u>\$ -</u>	<u>\$ 512,717</u>	<u>\$ 512,717</u>
Total Cost of Goods Sold	<u>\$ -</u>	<u>\$ 970,374</u>	<u>\$ 970,374</u>
Gross Margin	\$ -	\$ 38,181	\$ 38,181
Selling & Administrative Expenses:			
Selling Expenses	\$ -	\$ 201,752	\$ 201,752
Administration Expenses	<u>\$ -</u>	<u>\$ (19,691)</u>	<u>\$ (19,691)</u>
Total Selling & Admin. Expenses	\$ -	\$ 182,061	\$ 182,061
Miscellaneous Revenues	\$ -	\$ 608	\$ 608
Gain (loss) From Discontinued Operations	\$ (45,575)	\$ -	\$ (45,575)
Net Margin	<u>\$ 45,575</u>	<u>\$ (143,272)</u>	<u>\$ (97,697)</u>

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2021
Consolidated: All Other Operations

	Shoe	License Plate	Sign Shop	Janitorial	Dental Lab	Print Shop	Optical Lab	Total
General Sales	\$ 786,779	\$ 3,342,908	\$ 598,216	\$ 2,688,476	\$ 292,108	\$ 443,311	\$ 211,117	\$ 8,362,915
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Returns & Allowances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Sales and Transfers	\$ 786,779	\$ 3,342,908	\$ 598,216	\$ 2,688,476	\$ 292,108	\$ 443,311	\$ 211,117	\$ 8,362,915
Prime Expenses:								
Direct Materials	\$ 408,297	\$ 1,426,444	\$ 247,285	\$ 1,207,713	\$ -	\$ 267,404	\$ (0)	\$ 3,557,142
Direct Prisoner Labor	\$ 16,630	\$ 32,970	\$ 8,876	\$ 10,353	\$ 9,852	\$ 3,876	\$ 8,715	\$ 91,272
Indirect Prisoner Labor	\$ 10,076	\$ 22,553	\$ 3,299	\$ 2,298	\$ 1,832	\$ 4,302	\$ 5,418	\$ 49,779
Heat, Light & Power	\$ 75,588	\$ 54,975	\$ 31,175	\$ 2,031	\$ -	\$ -	\$ -	\$ 163,769
Maintenance of Assets	\$ 4,655	\$ 25,123	\$ 3,562	\$ 30,442	\$ 1,246	\$ 6,315	\$ 281	\$ 71,625
Equipment Less than \$1000	\$ -	\$ 118	\$ -	\$ 3,168	\$ -	\$ 1,001	\$ 39,370	\$ 43,657
Inventory Adjustments	\$ 652	\$ (63,385)	\$ 47,807	\$ 239,464	\$ -	\$ (120,450)	\$ 20	\$ 104,107
Building Depreciation	\$ 60,658	\$ 35,964	\$ 32,475	\$ 105,391	\$ -	\$ 213	\$ -	\$ 234,700
Equipment Depreciation	\$ 14,862	\$ 14,855	\$ 42,052	\$ 9,521	\$ -	\$ 7,590	\$ -	\$ 88,880
Other Manufacturing Expenses	\$ 84,353	\$ 37,045	\$ 34,924	\$ 63,098	\$ 32,896	\$ 32,496	\$ 69,340	\$ 354,153
Factory Supervision	\$ 227,639	\$ 656,638	\$ 208,032	\$ 552,401	\$ 96,596	\$ 199,203	\$ -	\$ 1,940,510
Total Cost of Goods Sold	\$ 903,409	\$ 2,243,300	\$ 659,488	\$ 2,225,881	\$ 142,423	\$ 401,951	\$ 123,144	\$ 6,699,595
Gross Margin	\$ (116,630)	\$ 1,099,608	\$ (61,272)	\$ 462,596	\$ 149,685	\$ 41,361	\$ 87,972	\$ 1,663,320
Selling & Administrative Expenses:								
Selling Expenses	\$ 41,319	\$ 143,775	\$ 43,083	\$ 82,148	\$ 16,729	\$ 4,143	\$ 2,740	\$ 333,937
Administration Expenses	\$ (8,861)	\$ (33,746)	\$ (43,412)	\$ 7,969	\$ (4,923)	\$ 44,669	\$ -	\$ (38,304)
Total Selling & Admin. Expenses	\$ 32,458	\$ 110,029	\$ (329)	\$ 90,117	\$ 11,806	\$ 48,812	\$ 2,740	\$ 295,632
Miscellaneous Revenues	\$ 274	\$ 12,704	\$ 713	\$ 608	\$ 152	\$ 152	\$ -	\$ 14,603
Gain (loss) From Discontinued Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Margin	\$ (148,814)	\$ 1,002,283	\$ (60,230)	\$ 373,087	\$ 138,031	\$ (7,299)	\$ 85,233	\$ 1,382,291

State of Michigan
Michigan State Industries

Statement of non-Allocated Administrative overhead

Year to Date as of: 9/30/2021

	Year to Date FY 2021
General Sales	\$ -
Transfers	\$ -
Sales Returns & Allowances	\$ -
Net Sales and Transfers	\$ -
Prime Expenses:	
Direct Materials	\$ -
Direct Prisoner Labor	\$ -
Indirect Prisoner Labor	\$ -
Heat, Light & Power	\$ -
Maintenance of Assets	\$ -
Equipment Less than \$1000	\$ -
Inventory Adjustments	\$ -
Building Depreciation	\$ -
Equipment Depreciation	\$ -
Other Manufacturing Expenses	\$ -
Factory Supervision	\$ -
Total Cost of Goods Sold	\$ -
Gross Margin	\$ -
Selling & Administrative Expenses:	
Selling Expenses	
Administration Expenses	
Total Selling & Admin. Expenses	\$ -
Miscellaneous Revenues	
Gain (loss) From Discontinued Operations	\$ -
Net Margin	

*Equipment Depreciation, Selling & Administrative Expenses distributed to each factory by FTE count.

NOTES to the FINANCIAL STATEMENTS FISCAL YEAR 2021

Note #1

FINANCIAL REPORTING ENTITY:

Created by P.A. 210 of 1935 and continued by P.A. 15 of 1968, the Correctional Industries Revolving Fund accounts for the financial transactions of a manufacturing and processing industry, employing prisoners incarcerated in Michigan's correctional facilities. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax-exempt organizations. Public Act 102 of 2007 further expanded the fund's sales market to include the authority to sell cut and sewn textiles to private companies and individuals.

Note #2

BASIS OF PRESENTATION:

Proprietary Fund Financial Statements – The Correctional Industries Revolving Fund is a governmental agency engaged in business-type activities. The financial statements present comparative information for years ended September 30, 2020 and 2021. The statements include all financial activity of Correctional Industries. The activities are financed primarily by fees charged for goods provided to customers. Such fees are classified as General Sales. Transfers represent internal sales of products within factories and are sold at factory cost. Miscellaneous revenues consist of revenues primarily for the sale of recyclable materials to vendors who purchase such items as scrap metal and cardboard or the proceeds received from the sale of assets or vehicle auctions.

Note #3

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Proprietary Funds, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting*, are required to apply applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with, or contradict, GASB pronouncements: *Statements and Interpretations of Financial Accounting Standards Board (FASB)*; *Accounting Principles Board Opinions*; and *Accounting Research Bulletins of the Committee on Accounting Procedure*.

In addition, an enterprise activity may apply all FASB statements and interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented in the Statement of Net Assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Note #4

INVENTORIES:

Inventories consist of raw materials, work-in-process, and finished goods inventory. Inventories are recorded as assets when purchased and expensed when consumed.

MSI total inventories consisted of the following values:

	<u>2019-20</u>	<u>2020-21</u>
Raw Materials	\$ 4,252,945	\$ 3,962,857
Work-in-Process	\$ 137,765	\$ 164,819
Finished Goods	<u>\$ 2,470,956</u>	<u>\$ 2,107,631</u>
	\$ 6,861,666	\$ 6,235,307

Note #5

CASH AND INVESTMENTS:

Cash on deposit is pooled with the State Treasurer and invested in pooled funds of all State Agencies. Interest earned from investments purchased with such pooled monies is deducted from the interest charges on the Correctional Industries Revolving Fund long term debt. See Note 7.

Note #6

CAPITAL ASSETS:

Capital assets are reported at cost. The capitalization threshold is \$1000 for Buildings & Building Improvements and Machinery & Equipment unless otherwise approved by the Business Office. Depreciation of such assets is charged as an expense against operations. These assets are depreciated over their useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings and Building Improvements	15 to 50 years
Equipment	2 to 25 years

Property and equipment balances consist of the following:

	<u>2019-20</u>	<u>2020-21</u>
Buildings & Building Improvements:	\$ 14,657,785	\$ 14,657,785
Construction in Progress:	\$ *	\$ *
Machinery & Equipment:	\$ 9,552,933	\$ 9,669,528.67
Less Accumulated Depreciation:	<u>\$ (15,735,666)</u>	<u>\$ (16,248,044.97)</u>
Net Value:	\$ 8,475,052	\$ 8,079,269.11

Depreciation expense was \$512,379.15 and \$521,347.38 for the fiscal years ended September 30, 2021 and 2020 respectively.

Note #7

ADVANCES FROM THE GENERAL FUND:

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively.

Total Advances from the General Fund as of September 30, 2021 and 2020 consisted of the following balances:

	<u>2019-2020</u>	<u>2020-2021</u>
Buildings	\$ 1,044,483	\$ 860,250
Equipment	\$ *	\$ *
Accrued Interest	<u>\$ 2,150,273</u>	<u>\$ 2,150,273</u>
	\$ 3,194,756	\$ 3,010,523

The building and equipment notes payable are components of the Boilerplate language of the Capital Outlay Bill. Interest is calculated by applying the prevailing rates of interest for Commercial Paper exchanged on major markets by the Department of Treasury. Interest expense during the fiscal years ended September 30, 2021 and 2020 were \$363.03 and \$1,037.79 respectively.

A statutorily required principal payment of \$184,233 was paid during fiscal year 2021. A minimum principal payment must be paid by MSI on the advance each fiscal year until the advance has been paid in full in fiscal year 2022.

*To properly reflect the Legislative amortization schedule of the funds authorized by the advance, the Equipment balance was reallocated to the Buildings balance in 2014.

Note #8

ACCOUNTS RECEIVABLE:

At September 30, 2021, MSI's non-state agency accounts receivable balance totaled \$53,842.93. MSI uses the direct write off method for bad debt from uncollectible customer sales accounts. This method is used over the allowance method because bad debt accounts and subsequent write offs have been nominal for the previous five fiscal years.

Note #9**SELLING, ADMINISTRATIVE, AND MISCELLANEOUS EXPENSES:**

Prior to fiscal year 2017, MSI did not allocate all selling and administrative expenses among the various factories (administrative burden). Effective fiscal year 2017, MSI began to allocate administrative expenses to the appropriate factories.

Note #10**USE OF ESTIMATES:**

Preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions which affect the financial statements. With the exception of direct materials and direct labor, the operational cost are presented on a period basis as compared to a product of revenue. The financial statements presented fiscal years 2020 and 2021 contain no material or significant estimates or assumptions.

SALES BY CUSTOMER TYPE FY 2021

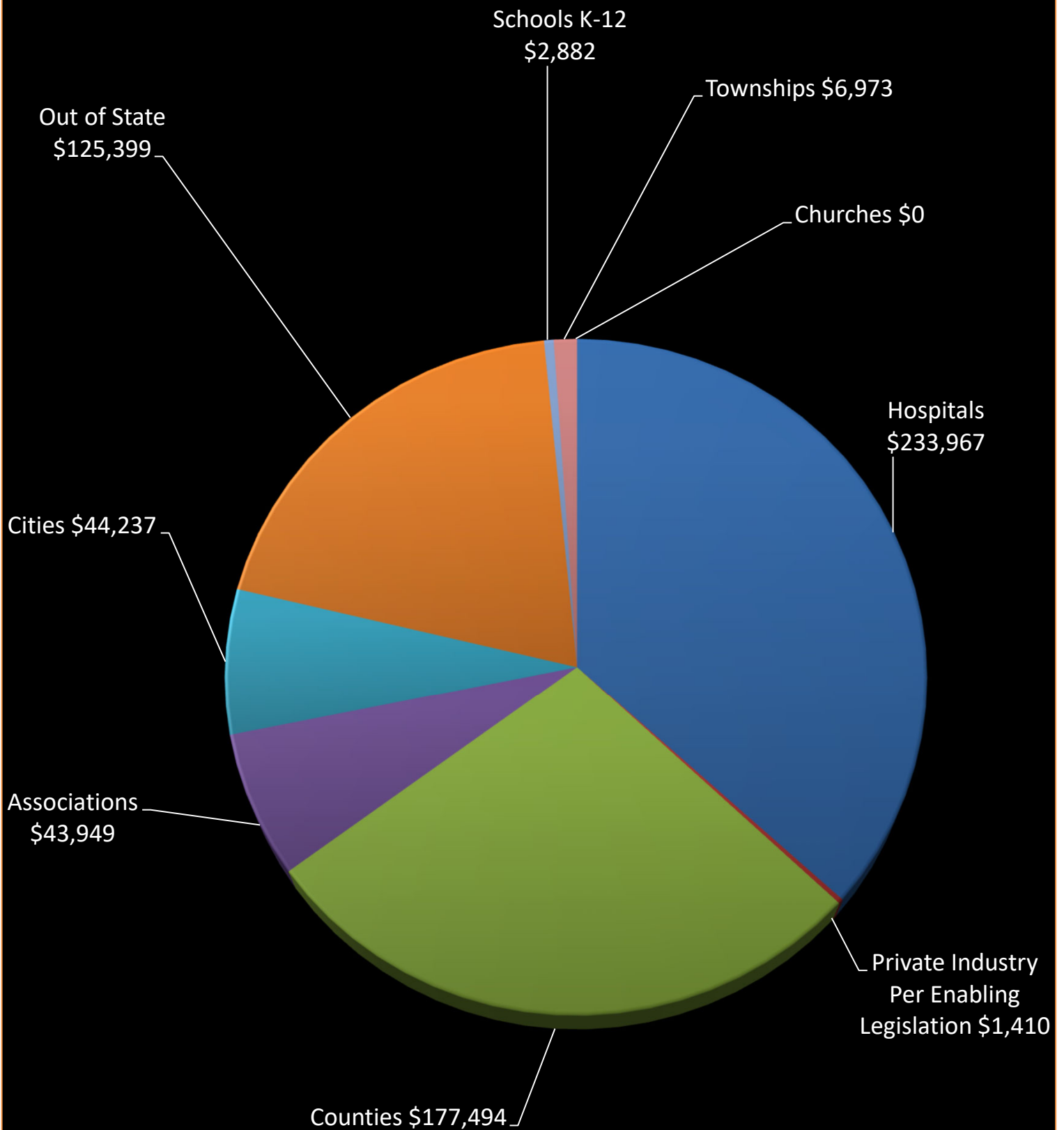
NET OPERATING REVENUES

<u>NON-STATE AGENCIES</u>	<u>NET SALES</u>	<u>% OF TOTAL SALES</u>
Hospitals	\$233,967	1.50%
Private Industry Per Enabling Legislation	\$1,410	0.01%
Counties	\$177,494	1.13%
Associations	\$43,949	0.28%
Cities	\$44,237	0.28%
Out of State	\$125,399	0.80%
Public & Private Schools K-12	\$2,882	0.02%
Townships	\$6,973	0.04%
Churches	\$0	0.00%
SUBTOTAL	\$636,312	4.07%

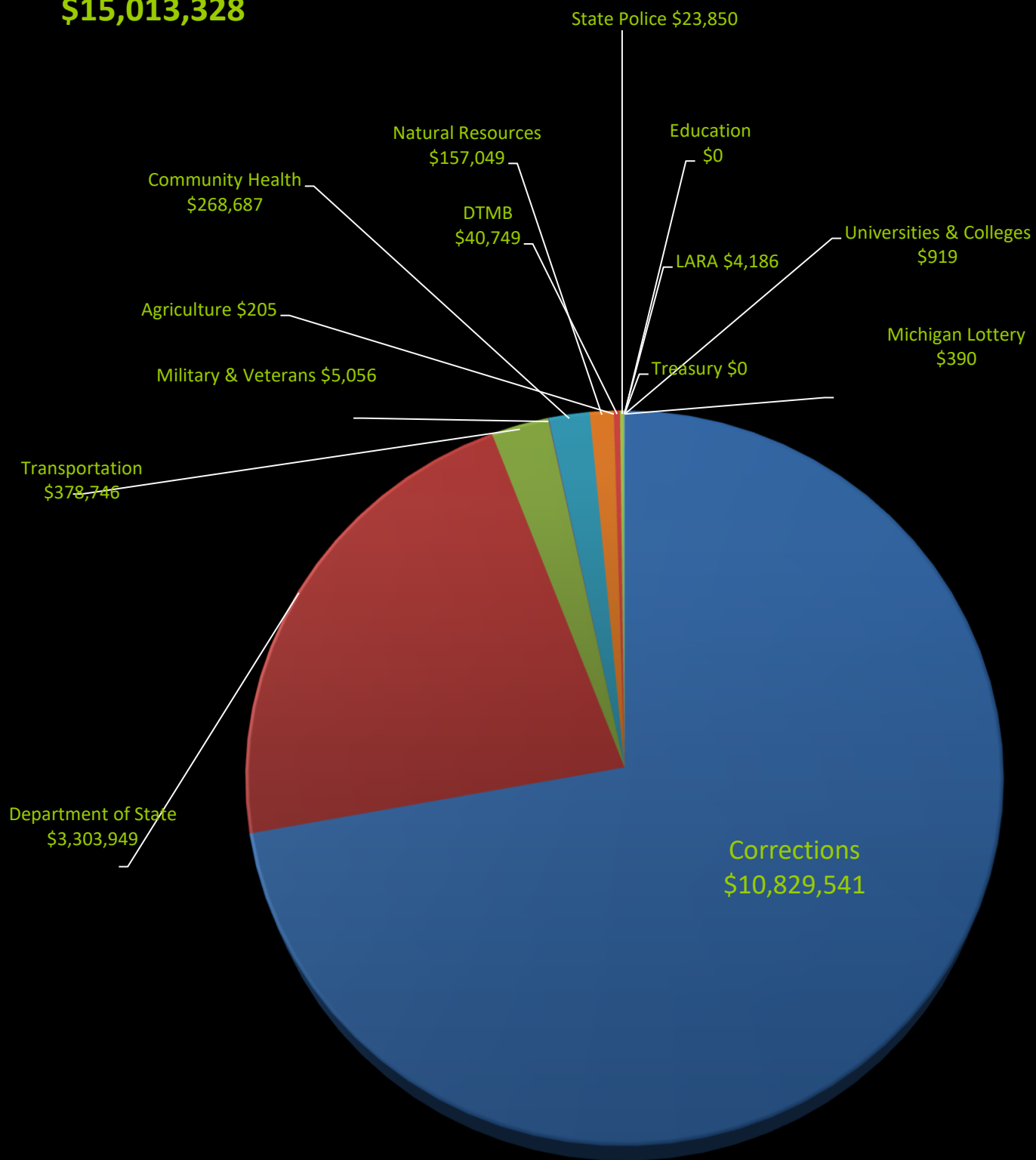
<u>STATE AGENCIES</u>	<u>NET SALES</u>	<u>% OF TOTAL SALES</u>
Corrections	\$10,829,541	69.20%
Department of State	\$3,303,949	21.11%
Transportation	\$378,746	2.42%
Military & Veterans	\$5,056	0.03%
Community Health	\$268,687	1.72%
Natural Resources	\$157,049	1.00%
Agriculture	\$205	0.00%
DTMB	\$40,749	0.26%
State Police	\$23,850	0.15%
Environmental Quality	\$0	0.00%
LARA	\$4,186	0.03%
Education	\$0	0.00%
Treasury	\$0	0.00%
Universities & Colleges	\$919	0.01%
Michigan Lottery	\$390	0.00%
DIT	\$0	0.00%
SUBTOTAL	\$15,013,328	95.93%

TOTAL OPERATING REVENUES	\$15,649,639	100.00%
MI-GA-0037 TIMESTAMPED 12/9/2021 8:42:45 AM	\$15,649,639	

MSI Non-State Agency Revenues FY 2021 Total \$636,312



MSI State Agency Revenues
FY 2021 Total
\$15,013,328



Comparative Statement of Net Assets
Michigan State Industries
For Fiscal Year FY 2020 and FY 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Equity in state common cash	\$ 3,635,280.82	\$ 2,914,656.07
Accounts receivable	\$ 53,842.93	\$ 36,356.70
Inventories	\$ 6,235,306.84	\$ 6,861,666.09
Subtotal	\$ 9,924,430.59	\$ 9,812,678.86
Capital Assets:		
Buildings & equipment	\$ 24,327,314.08	\$ 24,210,718.69
Allowance for depreciation	\$ (16,248,044.97)	\$ (15,735,665.82)
Construction in Progress	\$ -	\$ -
Subtotal	\$ 8,079,269.11	\$ 8,475,052.87
TOTAL ASSETS	<u><u>\$ 18,003,699.70</u></u>	<u><u>\$ 18,287,731.73</u></u>
Deferred Outflow of Resources (Pension Related)	<u>\$ 2,728,049.20</u>	<u>\$ 2,351,352.00</u>
LIABILITIES		
Current Liabilities:		
Warrants outstanding	\$ 9,331.25	\$ 8,266.73
Disbursement Payable	\$ -	\$ -
Accounts payable	\$ 853,657.05	\$ 1,180,054.96
Amounts due to other funds	\$ -	\$ 5,948.00
Interest Payable	\$ 2,150,273.52	\$ 2,150,273.52
Current portion of long-term obligations	\$ 261,619.20	\$ 253,417.75
Total Current Liabilities	\$ 3,274,881.02	\$ 3,597,960.96
Long-Term Liabilities		
Advance from the general fund	\$ -	\$ -
Advances from other funds	\$ -	\$ 860,250.00
Amounts due to other funds	\$ -	\$ -
Compensated absences- long term	\$ 140,050.75	\$ 163,309.95
Noncurrent portion of long-term obligations	\$ 12,388,568.00	\$ 15,374,543.00
Total Non-Current Liabilities	\$ 12,528,618.75	\$ 16,398,102.95
TOTAL LIABILITIES	<u><u>\$ 15,803,499.77</u></u>	<u><u>\$ 19,996,063.91</u></u>
Deferred Inflow of Resources (Pension Related)	<u>\$ 4,116,036.00</u>	<u>\$ 2,573,232.00</u>
NET ASSETS		
Investments in capital assets	\$ 8,079,269.11	\$ 8,475,052.87
Retained earnings	\$ 7,267,055.98	\$ 10,405,265.05
TOTAL NET ASSETS	<u><u>\$ 812,213.13</u></u>	<u><u>\$ (1,930,212.18)</u></u>

MANAGER'S MOTIVATION AT MICHIGAN STATE INDUSTRIES

Want to find out what motivates the shop managers who keep Michigan State Industries (MSI) running? See these two stories and find out that for MSI managers, the job could lead to a future in writing or provide the gift of sight to the less fortunate.

Matt Yeager, Optical Shop Manager



Matt Yeager, far left

The phrase “it takes a community” certainly applies to every aspect in my goal to provide incarcerated individuals with opportunities to learn real world applications and optical theory instruction. My goal each day when I arrive at work is to try and make a difference in a worker's life from helping them learn the optical trade to obtaining meaningful employment to collaborating with outside community programs to provide less fortunate kids locally and overseas with eye care and eyewear to countries and portions of the world that would otherwise receive no care at all. It warms my heart with gratitude when I think about the reentry success of a formerly incarcerated individual who now runs his own optical lab or to see images of children overseas wearing glasses donated through our program's great partnerships.

I focus on the valuable hard skills necessary for outside employment in the field of optometry in processing and filling optical prescriptions. Many of the skills workers receive will ready them for future employment in the optical field after reentry such as lens surfacing, finishing, polishing, edging, and working with the latest cutting-edgetechnologyandequipmentsuchasdigital

someters, wax blockers, generators, and edger machines to name a few. Although hard skills are important, “soft” skills are by no means overlooked, and I strive to instill these daily as a work ritual... showing the importance of having a strong work ethic, positive attitude, time management, respect for yourself and others, cleanliness, and communication.

My commitment to changing the lives of incarcerated individuals is unwavering and can be measured by the success stories shared by former parolees over the years and recent parolees alike who continue to reach out to me with updates on their success. On a recent project helmed by members of the First United Methodist Church of Adrian, MI., eyeglasses were shipped to Liberia, a country in West Africa, which borders the Atlantic. Key participants in the project were incarcerated individuals at the MSI Optical Lab who are involved in the cleaning, sorting, repair and packaging of slightly damaged glasses. Additional community assistance in the project came from the Adrian Breakfast Lions Club, which was responsible for bringing in a number of additional donated glasses; Tecumseh Packaging Solutions, which provided preformed shipping boxes to neatly pack and hold each individual pair of glasses; and Postal Plus of Adrian, which



Above: Former MSI Optical Lab worker now owns his own optical shop.

was responsible for getting the many boxes of glasses from Adrian to their destination. A Methodist Church in North Carolina with ties of its own to Liberia offered to ship the glasses from Adrian to Liberia at no charge. The same church in North Carolina sent along 1,500 eyeglasses of its own, bringing the total shipment of glasses to 3,000. It is the satisfaction in knowing that our program touches the lives of others each day and puts these guys on a path to success.

Will Rondeau, License Plate Manager (Now Retired)



Above: Will Rondeau-Retired, (left) and a formerly incarcerated individual meet post-release.

Even today I ask myself at times what was I thinking 34 years ago when I chose a career in Corrections. After all, everything you see on TV shows you how dangerous and unfulfilling of a job it must be. Well, it has turned out to be just the opposite. In fact, I am not sure another career choice would have been so satisfying and rewarding as this one has ended up being.

I was a journalism major in college looking for a career where I could write books on how I could save the world or how I could help people make lots of money. I even thought about maybe writing murder for hire fiction novels that would keep my readers on edge until the very end. So, when my friends ask me today why I am still working for Corrections, this is what I tell them.

I have been working for Michigan State Industries (MSI) since 1994 and every day I go through 13 different gates

and doors just to get to my office. Things have not changed much with the building I work in, but it sure has changed a lot with the job itself. I learned a long time ago, that the only way you will be successful in any business, is to take ownership of that business even if you do not own it. I also learned not to burn any bridges because you inevitably may need to cross that bridge again sometime down the road. These are things that you eventually learn at most jobs. Correctional Industries goes much further than that.

I sit back in my chair at work and think how many other jobs allow you to meet so many different people from all different backgrounds. How many jobs do you call most of your co-workers only by their last name? How many jobs would you walk into the door and have someone make you empty your pockets and go through your personal items and be ok with it? I could go on and on, but the bottom line is that we all have learned or been trained to enter this other world and at the end of your day try and leave it behind. Good luck with that! The strange thing is that even though there have been many times I wish I could have done this, there are many more times I am glad I could not. I have so many stories to tell and so many friends that I have met that maybe when I finally close that last prison door on my way out, that I will sit down and write that nonfiction novel and entitle it: "The World Left Behind but Never Forgotten."

Each of the more than 8.8 million registered vehicles in Michigan must include a plate made at the MSI License Plate factory, which cranks out about 12,000 license plates per day, an estimated 1.5 million plates per year. Employment at the factory is a coveted job for incarcerated individuals, who gain work experience and learn valuable soft skills. I am also proud of my production team, who have been instrumental in the successful reentry to job placement for many of our incarcerated workers.

We employ incarcerated individuals that learn a profession here that hopefully they will take out to the world with them, which means they will get a good job and not come back to prison. That's one of our major goals here... to teach these guys a skill. •

We instill and promote
positive work ethics.

We provide
opportunity for prisoners
to learn marketable skills and experience.

We contribute to the
economic self-sufficiency
of working prisoners and their families.

We actively explore joint ventures
with private vendors and manufactures.

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