

ANNUAL REPORT 2022



MICHIGAN STATE INDUSTRIES
Building Bridges to Success



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FROM *the* ADMINISTRATOR

As COVID appears to be in the rear-view mirror, for the most part, 2022 proved to be a good year. In a self-funded business, staying cash positive is not up for debate, it's mandatory. One of the key factors that drive that self-sufficiency is proper staffing. COVID, federal stimulus, remote work schedules, and attrition rates all changed the correctional industry game, post COVID. Keeping civilian and offender staffing levels up are not only critical for safety and security, but also future growth. Much time was spent getting us back to where we needed to be.

But if it wasn't challenging, we wouldn't know how to act! Lessons learned from the COVID years! With all the challenges also came successes and it wouldn't be possible with all our wonderful customers. Thank you all who help support correctional industries in Michigan. We have an important mission each year and it wouldn't be possible without you!

For our staff, none of this would be possible without you! From the office staff that work in Lansing, to all the staff in our 12 factories across the state, thank you for taking care of business! I am lucky to be able to work alongside such a talented group of people! What we do is important for the State of Michigan!



Thank you for your continued support of MSI.

A handwritten signature in black ink, appearing to read "Greg Dancer".

Greg Dancer
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. During 2022, MSI implemented the remaining factories and is now retrieving live shop floor data at all locations (besides our Dental, Optical and Laundry operations).

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.

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 500 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.

Results to Date

In FY 2018 MSI posted its first positive cash position in over 10 years, an \$8 MILLION-dollar improvement. MSI has concluded the last five fiscal years with a positive cash position.

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

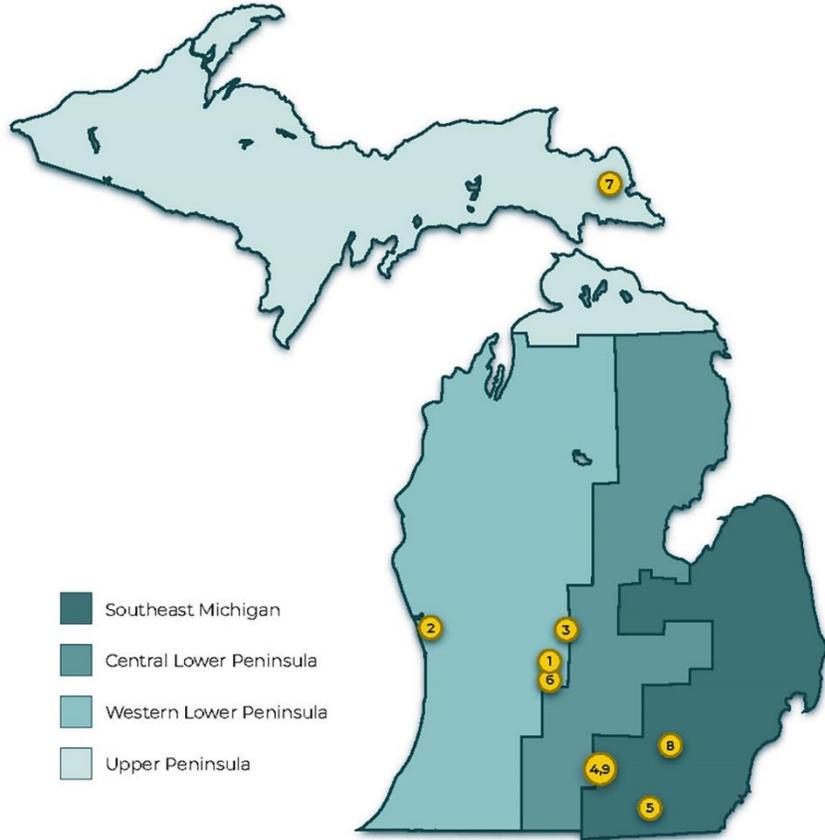
HONESTY – Being truthful in all things

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

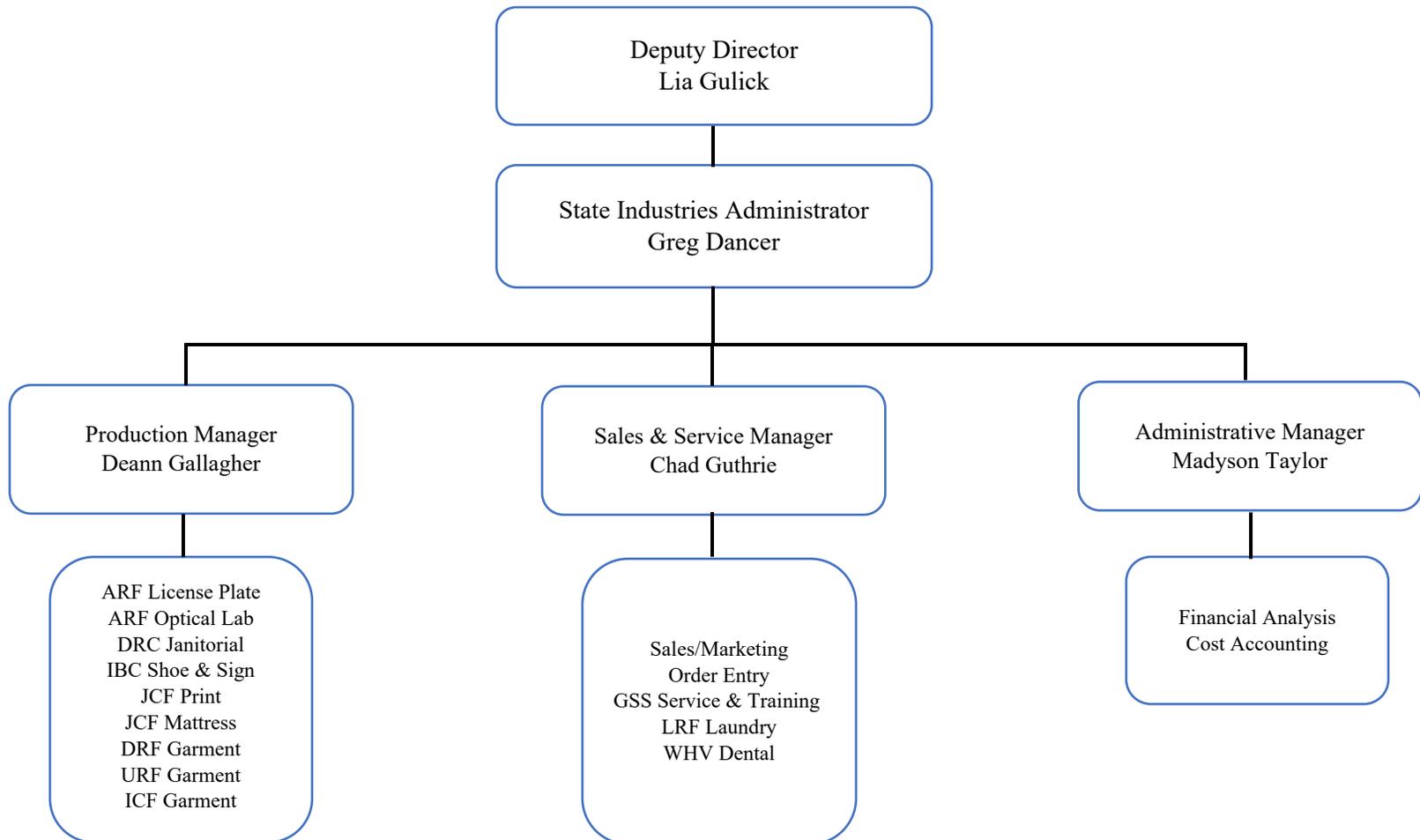
8. Huron Valley
Pittsfield Twp, Michigan

- 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.

This factory employs a total of four 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.

This factory employs a total of three civilian employees and 95 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.

This factory employs a total of three civilian employees and 73 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 Kim Cargor. 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, jumpsuits, prisoner shirts, dog beds, and non-custody outerwear for the MDOC. Its customer base also includes many of the State's County jail programs, DNR campgrounds, and has been exploring the non-profit hospital markets.

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, quality control inspectors.

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 44 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 Kim Cargor. 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 one civilian employee 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 1:29 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. Officer leather belts are also manufactured at this facility.

This factory employs a total of two 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 1:29pm. 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 two civilian employees and 23 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. 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 Noah Nagy. 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.

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.

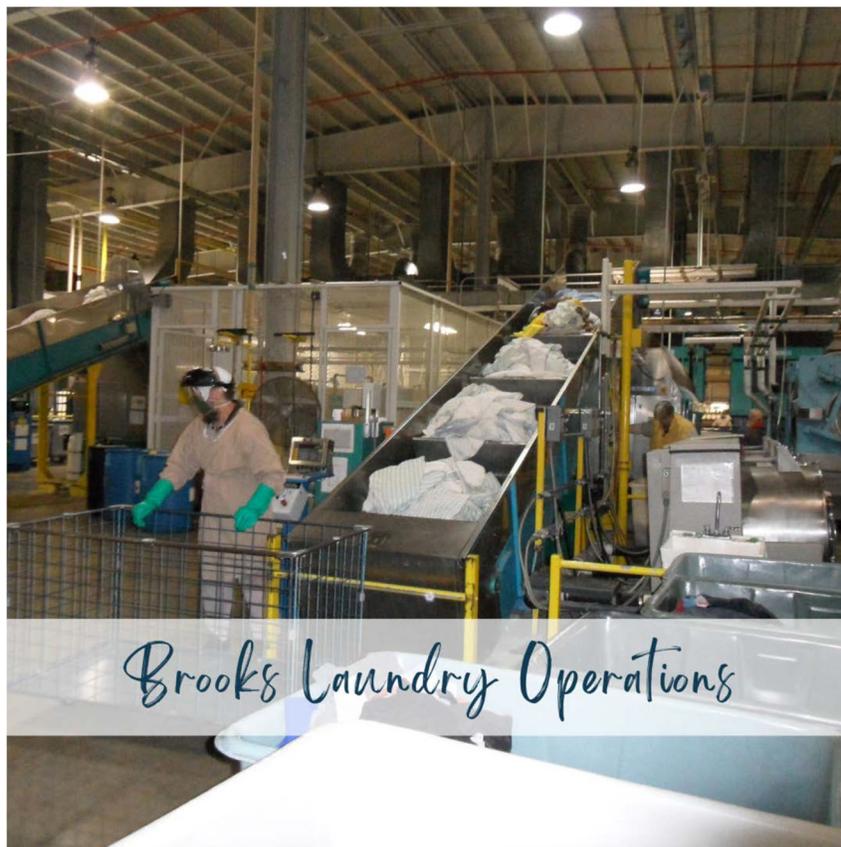
Brooks Laundry

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 Warden Chris King. 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.

This factory employs a total of four 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, file clerks, shipping and receiving duties, crew leaders and assistant crew leaders, laundry and dry-cleaning workers, pressers, teamwork, accountability, quality control inspectors.



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 2:48 pm. 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 10 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 3:30 pm. The Optical Laboratory employs level II prisoners. 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. 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. In addition, MSI will pay for one attempt for each prisoner to take their American Board of Opticianry Certification exam.

This laboratory employs one civilian employee funded through Education. It has 16 board- certified prisoners.

Marketable Skills:

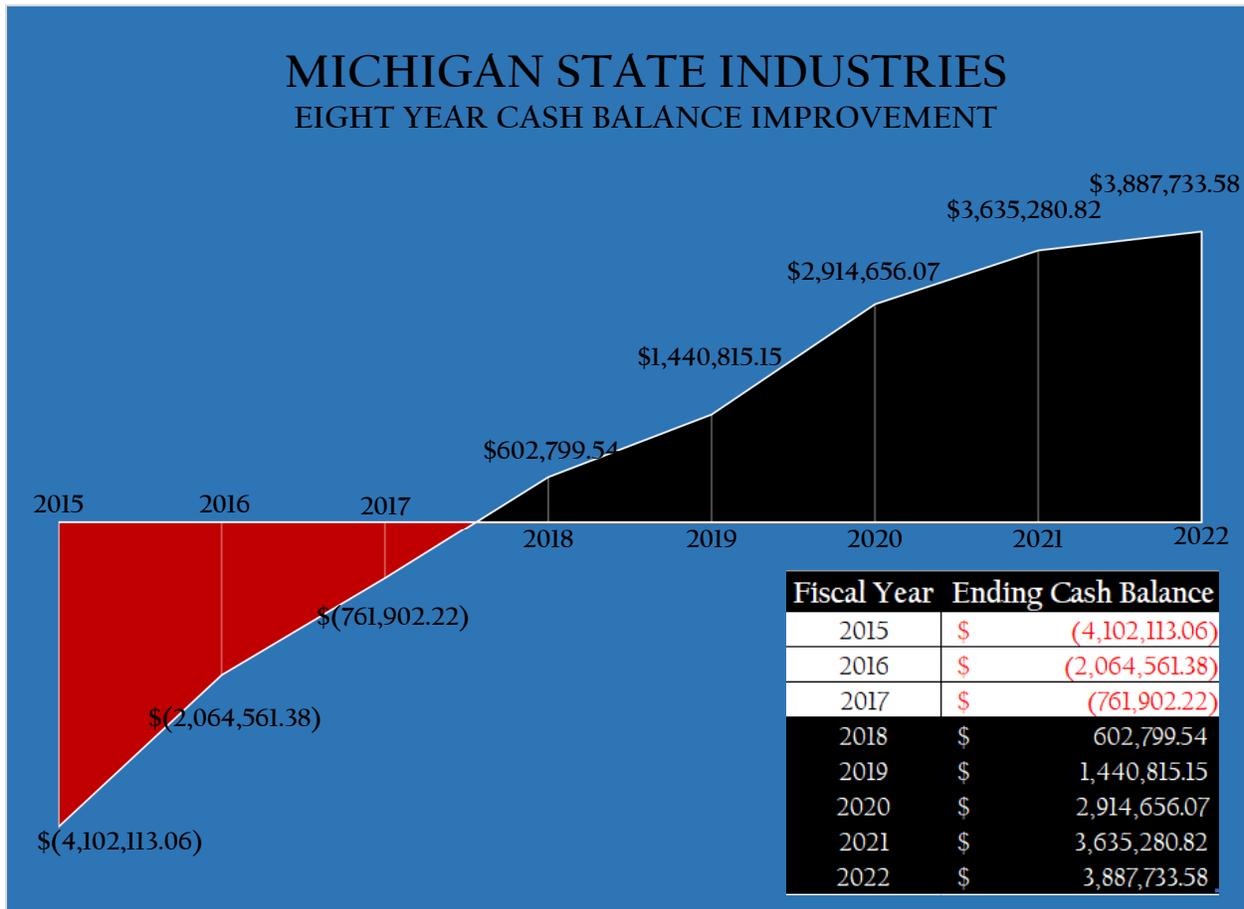
Job skills such as machine operators, machine repair and maintenance, office clerks, shipping and receiving duties, health care support worker, stock clerk/order fulfillment, edger, quality control inspection, lens finisher, polisher and coater, ophthalmic lab technician, step 1 blocker, generator, stock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





MSI at a glance:

TOTAL NET SALES THROUGH FISCAL YEAR 2022	\$18,045,159
PERCENTAGE OF TOTAL SALES TO DEPT. OF CORRECTIONS	71%
NUMBER OF INDUSTRY FACTORIES	12
NUMBER OF NEW INDUSTRIES PLANNED	0
WAGES PAID TO PRISONER WORKERS FISCAL YEAR 2022	\$463,740
NUMBER OF CIVILIAN STAFF	43
AMOUNT EXPENSED FROM INVENTORIES FISCAL YEAR 2022	\$7,044,287



Monthly Financial Summary

Year to Date as of September 30, 2022

Month Ended: 9/30/2022

Month Ended: 9/30/2021

	Month Ended: 9/30/2022			Month Ended: 9/30/2021		
	Sales & Transfers	Cost of Sales	Gross Margin	Sales & Transfers	Cost of Sales	Gross Margin
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shoe	\$ 986,388	\$ 1,059,702	\$ (73,314)	\$ 786,779	\$ 903,409	\$ (116,630)
License Plate	\$ 3,961,529	\$ 2,651,597	\$ 1,309,932	\$ 3,342,908	\$ 2,243,299	\$ 1,099,609
Sign Shop	\$ 476,250	\$ 643,537	\$ (167,287)	\$ 598,216	\$ 659,488	\$ (61,272)
Mattress	\$ 1,889,892	\$ 1,448,467	\$ 441,425	\$ 1,124,388	\$ 940,375	\$ 184,013
Janitorial Products	\$ 3,118,150	\$ 2,377,892	\$ 740,258	\$ 2,688,476	\$ 2,225,881	\$ 462,595
Thumb Laundry	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Chippewa Garment	\$ 2,201,929	\$ 1,329,113	\$ 872,816	\$ 2,041,836	\$ 1,384,234	\$ 657,602
Carson City Garment	\$ 1,877,319	\$ 1,856,881	\$ 20,438	\$ 1,830,227	\$ 1,734,152	\$ 96,075
Brooks Laundry	\$ 1,273,938	\$ 1,220,434	\$ 53,504	\$ 1,008,555	\$ 970,374	\$ 38,181
Dental Lab	\$ 408,656	\$ 149,293	\$ 259,363	\$ 292,108	\$ 142,423	\$ 149,685
Print Shop	\$ 527,305	\$ 539,515	\$ (12,210)	\$ 443,311	\$ 401,951	\$ 41,360
Optical Lab	\$ 338,917	\$ 180,427	\$ 158,490	\$ 211,117	\$ 123,144	\$ 87,973
I-Max Garment	\$ 984,886	\$ 1,114,167	\$ (129,281)	\$ 994,126	\$ 1,055,956	\$ (61,830)
TOTAL ALL FACTORIES	\$ 18,045,159	\$ 14,571,025	\$ 3,474,134	\$ 15,362,047	\$ 12,784,686	\$ 2,577,361
Business Office						
Selling & Admin Expenses			\$ 184,309			\$ 586,954
Loss on Discontinued Operations			\$ (37,354)			\$ (45,575)
Miscellaneous Revenue			\$ 11,927			\$ 17,338
MSI NET MARGIN			\$ 3,264,398			\$ 1,962,170
NPL Balance Adjustment included in Selling & Admin Expenses						
Adjusted Fiscal Year MSI Net Margin			\$ 3,264,398			\$ 1,962,170

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2022
Consolidated: Garment Operations

	Mattress	Chippewa	Carson City	Ionia	Total
General Sales	\$ 1,889,892	\$ 2,201,929	\$ 1,877,319	\$ 984,886	\$ 6,954,026
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Returns & Allowances	\$ -	\$ -	\$ -	\$ -	\$ -
Net Sales and Transfers	\$ 1,889,892	\$ 2,201,929	\$ 1,877,319	\$ 984,886	\$ 6,954,026
Costs of Goods Sold:					
Direct Materials	\$ 1,023,780	\$ 748,067	\$ 915,680	\$ 502,600	\$ 3,190,126
Direct Prisoner Labor	\$ 40,199	\$ 84,348	\$ 50,556	\$ 43,279	\$ 218,382
Indirect Prisoner Labor	\$ 6,841	\$ 12,322	\$ 75,429	\$ 33,122	\$ 127,713
Heat, Light & Power	\$ -	\$ 170	\$ 128,636	\$ 41,577	\$ 170,384
Maintenance of Assets	\$ 22,780	\$ 5,127	\$ 30,114	\$ 6,676	\$ 64,697
Equipment Less than \$1000	\$ 855	\$ 1,060	\$ -	\$ -	\$ 1,915
Inventory Adjustments	\$ 15,710	\$ 11,847	\$ (15,680)	\$ 28,845	\$ 40,721
Building Depreciation	\$ 2,576	\$ 1,685	\$ 23,263	\$ 26,868	\$ 54,393
Equipment Depreciation	\$ 13,630	\$ 19,949	\$ 28,063	\$ 14,152	\$ 75,794
Other Manufacturing Expenses	\$ 81,130	\$ 99,261	\$ 79,957	\$ 69,444	\$ 329,792
Factory Supervision	\$ 240,966	\$ 345,278	\$ 540,864	\$ 347,603	\$ 1,474,712
Total Cost of Goods Sold	\$ 1,448,467	\$ 1,329,113	\$ 1,856,881	\$ 1,114,167	\$ 5,748,627
Gross Margin	\$ 441,426	\$ 872,816	\$ 20,438	\$ (129,281)	\$ 1,205,398
Selling & Administrative Expenses:					
Selling Expenses	\$ 56,315	\$ 49,830	\$ 65,676	\$ 43,811	\$ 215,632
Administration Expenses	\$ (39,026)	\$ (2,379)	\$ (119,677)	\$ (58,539)	\$ (219,621)
Total Selling & Admin. Expenses	\$ 17,289	\$ 47,451	\$ (54,001)	\$ (14,728)	\$ (3,989)
Miscellaneous Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Gain (loss) From Discontinued Operations	\$ -	\$ -	\$ -	\$ -	\$ -
Net Margin	\$ 424,136	\$ 825,364	\$ 74,439	\$ (114,553)	\$ 1,209,387

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2022
Consolidated: Laundry Operations

	Thumb	Brooks	Total
General Sales	\$ -	\$ 1,273,938	\$ 1,273,938
Transfers	\$ -	\$ -	\$ -
Sales Returns & Allowances	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Net Sales and Transfers	\$ -	\$ 1,273,938	\$ 1,273,938
Prime Expenses:			
Direct Materials	\$ -	\$ 240,793	\$ 240,793
Direct Prisoner Labor	\$ -	\$ 36,479	\$ 36,479
Indirect Prisoner Labor	\$ -	\$ 10,215	\$ 10,215
Heat, Light & Power	\$ -	\$ 174,247	\$ 174,247
Maintenance of Assets	\$ -	\$ 37,527	\$ 37,527
Equipment Less than \$1000	\$ -	\$ 216	\$ 216
Inventory Adjustments	\$ -	\$ 52,968	\$ 52,968
Building Depreciation	\$ -	\$ (5,097)	\$ (5,097)
Equipment Depreciation	\$ -	\$ 10,967	\$ 10,967
Other Manufacturing Expenses	\$ -	\$ 158,185	\$ 158,185
Factory Supervision	\$ -	\$ 503,934	\$ 503,934
	<hr/>	<hr/>	<hr/>
Total Cost of Goods Sold	<u>\$ -</u>	<u>\$ 1,220,434</u>	<u>\$ 1,220,434</u>
Gross Margin	\$ -	\$ 53,504	\$ 53,504
Selling & Administrative Expenses:			
Selling Expenses	\$ -	\$ 231,610	\$ 231,610
Administration Expenses	\$ -	\$ (78,053)	\$ (78,053)
	<hr/>	<hr/>	<hr/>
Total Selling & Admin. Expenses	\$ -	\$ 153,557	\$ 153,557
Miscellaneous Revenues	\$ -	\$ 1,118	\$ 1,118
Gain (loss) From Discontinued Operations	\$ 37,354	\$ -	\$ 37,354
	<hr/>	<hr/>	<hr/>
Net Margin	<u>\$ (37,354)</u>	<u>\$ (98,935)</u>	<u>\$ (136,289)</u>

State of Michigan
Michigan State Industries
Comparative Statement of Operations
Year to Date as of: 9/30/2022
Consolidated: All Other Operations

	Shoe	License Plate	Sign Shop	Janitorial	Dental Lab	Print Shop	Optical Lab	Total
General Sales	\$ 986,388	\$ 3,961,529	\$ 476,250	\$ 3,118,150	\$ 408,656	\$ 527,305	\$ 338,917	\$ 9,817,195
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Returns & Allowances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Sales and Transfers	\$ 986,388	\$ 3,961,529	\$ 476,250	\$ 3,118,150	\$ 408,656	\$ 527,305	\$ 338,917	\$ 9,817,195
Prime Expenses:								
Direct Materials	\$ 525,647	\$ 1,720,115	\$ 191,777	\$ 1,467,053	\$ -	\$ 285,710	\$ -	\$ 4,190,302
Direct Prisoner Labor	\$ 12,574	\$ 30,819	\$ 7,374	\$ 16,271	\$ 11,782	\$ 4,632	\$ 9,829	\$ 93,280
Indirect Prisoner Labor	\$ 12,588	\$ 153,421	\$ 5,464	\$ 2,374	\$ 2,157	\$ 3,962	\$ 1,896	\$ 181,861
Heat, Light & Power	\$ 97,724	\$ 88,569	\$ 44,859	\$ 38	\$ -	\$ -	\$ -	\$ 231,190
Maintenance of Assets	\$ 13,642	\$ 13,386	\$ 9,330	\$ 62,429	\$ 910	\$ 3,769	\$ -	\$ 103,466
Equipment Less than \$1000	\$ -	\$ 1,229	\$ -	\$ 999	\$ -	\$ -	\$ 7,654	\$ 9,881
Inventory Adjustments	\$ 32,976	\$ (86,015)	\$ 52,029	\$ 118,167	\$ -	\$ 41,783	\$ 2	\$ 158,943
Building Depreciation	\$ 60,658	\$ 35,964	\$ 32,475	\$ 105,391	\$ -	\$ 147	\$ -	\$ 234,634
Equipment Depreciation	\$ 14,124	\$ 9,045	\$ 43,660	\$ 15,778	\$ -	\$ 4,487	\$ -	\$ 87,093
Other Manufacturing Expenses	\$ 79,323	\$ 37,862	\$ 57,982	\$ 56,622	\$ 31,181	\$ 38,915	\$ 161,046	\$ 462,931
Factory Supervision	\$ 210,447	\$ 647,202	\$ 198,586	\$ 532,772	\$ 103,263	\$ 156,110	\$ -	\$ 1,848,380
Total Cost of Goods Sold	\$ 1,059,702	\$ 2,651,597	\$ 643,537	\$ 2,377,892	\$ 149,293	\$ 539,515	\$ 180,427	\$ 7,601,962
Gross Margin	\$ (73,314)	\$ 1,309,932	\$ (167,286)	\$ 740,258	\$ 259,363	\$ (12,210)	\$ 158,490	\$ 2,215,233
Selling & Administrative Expenses:								
Selling Expenses	\$ 44,117	\$ 149,316	\$ 43,110	\$ 81,999	\$ 18,572	\$ 42,653	\$ 9,130	\$ 388,896
Administration Expenses	\$ (35,124)	\$ (87,891)	\$ (16,277)	\$ (175,838)	\$ (19,513)	\$ (19,513)	\$ -	\$ (354,156)
Total Selling & Admin. Expenses	\$ 8,993	\$ 61,425	\$ 26,833	\$ (93,839)	\$ (941)	\$ 23,140	\$ 9,130	\$ 34,741
Miscellaneous Revenues	\$ -	\$ 10,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,809
Gain (loss) From Discontinued Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Margin	\$ (82,307)	\$ 1,259,316	\$ (194,119)	\$ 834,097	\$ 260,304	\$ (35,349)	\$ 149,360	\$ 2,191,301

NOTES to the FINANCIAL STATEMENTS FISCAL YEAR 2022

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, 2021 and 2022. 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>2020-21</u>	<u>2021-22</u>
Raw Materials	\$ 3,962,857	\$ 4,689,369
Work-in-Process	\$ 164,819	\$ 145,764
Finished Goods	<u>\$ 2,107,631</u>	<u>\$ 2,209,153</u>
	\$ 6,235,307	\$ 7,044,287

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>2020-21</u>	<u>2021-22</u>
Buildings & Building Improvements:	\$ 14,657,785	\$ 14,657,785
Construction in Progress:	\$ *	\$ *
Machinery & Equipment:	\$ 9,669,529	\$ 9,796,958
Less Accumulated Depreciation:	<u>\$ (16,248,045)</u>	<u>\$ (16,758,777)</u>
Net Value:	\$ 8,079,269	\$ 7,695,967

Depreciation expense was \$510,732 and \$512,379 for the fiscal years ended September 30, 2022 and 2021 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, 2022 and 2021 consisted of the following balances:

	<u>2020-2021</u>	<u>2021-2022</u>
Buildings	\$ *	\$ *
Equipment	\$ *	\$ *
Accrued Interest	<u>\$ 2,150,273</u>	<u>\$ 2,150,273</u>
	\$ 2,150,273	\$ 2,150,273

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 year ended September 30, 2021 was \$363.03.

A statutorily required principal payment of \$37,523 was paid during fiscal year 2021. A minimum principal payment has been paid by MSI on the advance each fiscal year until the advance was paid in full in fiscal year 2022. MSI has completed the repayment of facility buildings and equipment as required in Executive Order 1992-13, along with the required interest payments.

Note #8

ACCOUNTS RECEIVABLE:

At September 30, 2022, MSI’s non-state agency accounts receivable balance totaled \$19,742. 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:**

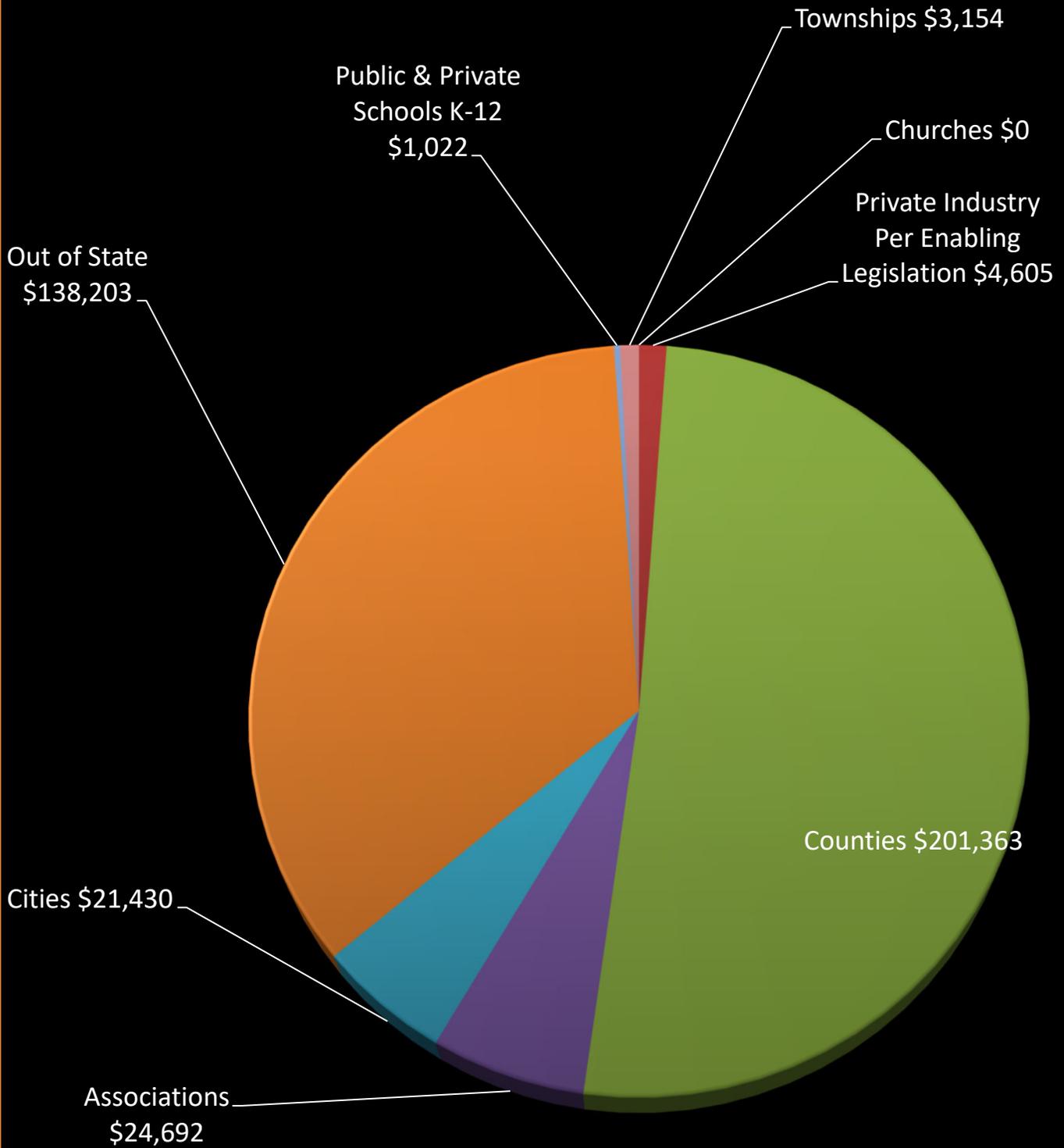
Preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions which affect the financial statements. With the exception of direct materials and direct labor, the operational cost are presented on a period basis as compared to a product of revenue. The financial statements presented fiscal years 2021 and 2022 contain no material or significant estimates or assumptions.

**SALES BY CUSTOMER TYPE
FY 2022**

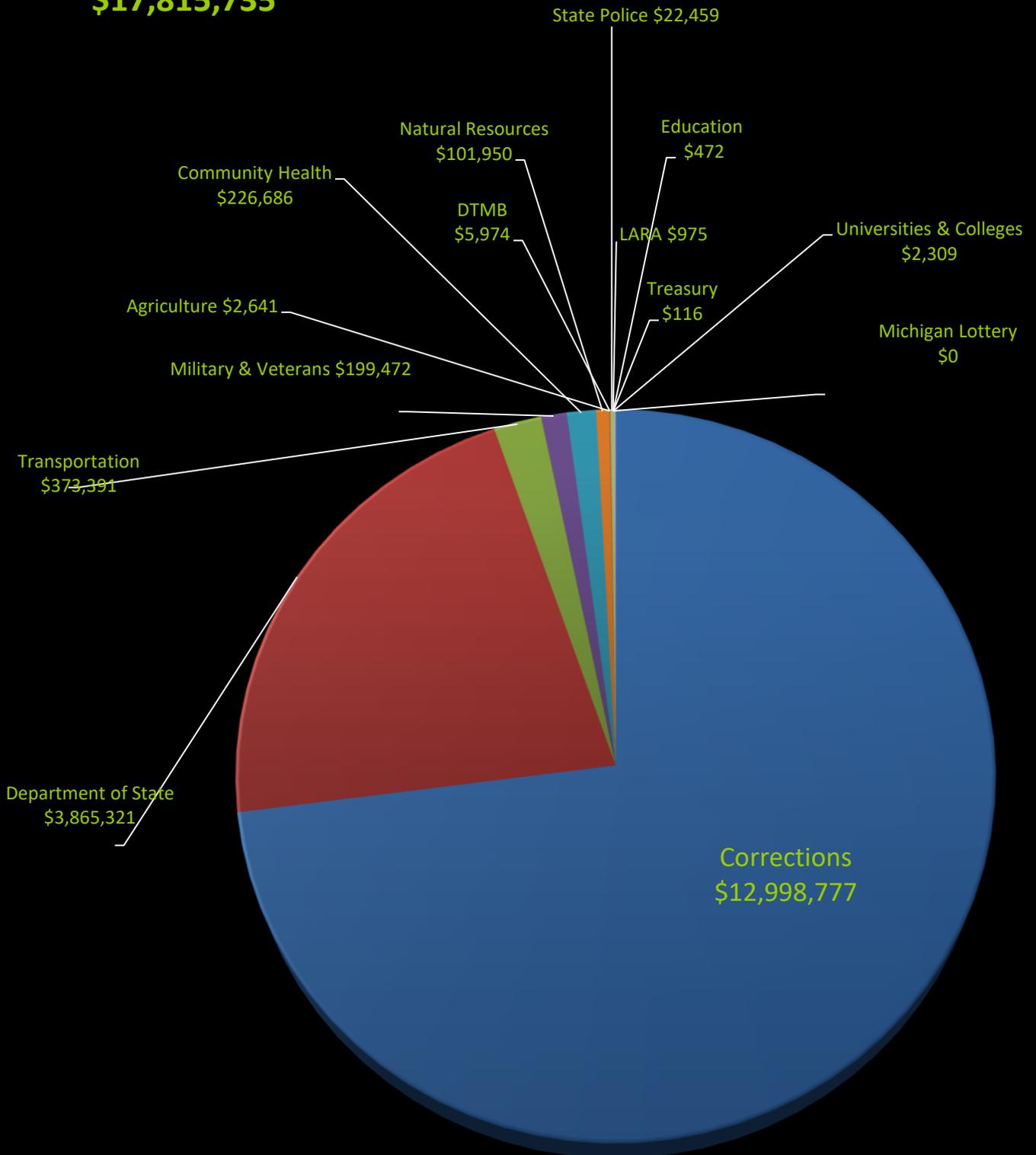
NET OPERATING REVENUES

<u>NON-STATE AGENCIES</u>	<u>NET SALES</u>	<u>% OF TOTAL SALES</u>
Hospitals	\$0	0.00%
Private Industry Per Enabling Legislation	\$4,605	0.03%
Counties	\$201,363	1.11%
Associations	\$24,692	0.14%
Cities	\$21,430	0.12%
Out of State	\$138,203	0.76%
Public & Private Schools K-12	\$1,022	0.01%
Townships	\$3,154	0.02%
Churches	\$0	0.00%
SUBTOTAL	\$394,469	2.17%
<u>STATE AGENCIES</u>	<u>NET SALES</u>	<u>% OF TOTAL SALES</u>
Corrections	\$12,998,777	71.38%
Department of State	\$3,865,321	21.23%
Transportation	\$373,391	2.05%
Military & Veterans	\$199,472	1.10%
Community Health	\$226,686	1.24%
Natural Resources	\$101,950	0.56%
Agriculture	\$2,641	0.01%
DTMB	\$5,974	0.03%
State Police	\$22,459	0.12%
Environmental Quality	\$0	0.00%
LARA	\$975	0.01%
Education	\$472	0.00%
Treasury	\$116	0.00%
Universities & Colleges	\$2,309	0.01%
Michigan Lottery	\$0	0.00%
Misc. State Agencies	\$15,192	0.08%
SUBTOTAL	\$17,815,735	97.83%
TOTAL OPERATING REVENUES	\$18,210,204	100.00%

MSI Non-State Agency Revenues FY 2022 Total \$394,469



MSI State Agency Revenues
FY 2022 Total
\$17,815,735



Comparative Statement of Net Assets
Michigan State Industries
For Fiscal Year FY 2021 and FY 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Equity in state common cash	\$ 3,887,733.58	\$ 3,635,280.82
Accounts receivable	\$ 19,741.87	\$ 53,842.93
Inventories	\$ 7,044,286.94	\$ 6,235,306.84
Subtotal	<u>\$ 10,951,762.39</u>	<u>\$ 9,924,430.59</u>
Capital Assets:		
Buildings & equipment	\$ 24,454,743.52	\$ 24,327,314.08
Allowance for depreciation	\$ (16,758,776.87)	\$ (16,248,044.97)
Construction in Progress	\$ -	\$ -
Subtotal	<u>\$ 7,695,966.65</u>	<u>\$ 8,079,269.11</u>
TOTAL ASSETS	<u><u>\$ 18,647,729.04</u></u>	<u><u>\$ 18,003,699.70</u></u>
Deferred Outflow of Resources (Pension Related)	<u>\$ 2,241,578.67</u>	<u>\$ 2,728,049.20</u>
LIABILITIES		
Current Liabilities:		
Warrants outstanding	\$ 44,254.26	\$ 9,331.25
Disbursement Payable	\$ 528,807.67	\$ 532,019.06
Accounts payable	\$ 158,868.60	\$ 144,852.41
Amounts due to other funds	\$ -	\$ -
Interest Payable	\$ 2,150,273.52	\$ 2,150,273.52
Current portion of long-term obligations	\$ 289,435.97	\$ 261,619.20
Total Current Liabilities	<u>\$ 3,171,640.02</u>	<u>\$ 3,098,095.44</u>
Long-Term Liabilities		
Advance from the general fund	\$ -	\$ -
Advances from other funds	\$ -	\$ -
Amounts due to other funds	\$ 10,016.97	\$ -
Compensated absences- long term	\$ 48,491.86	\$ 140,050.75
Noncurrent portion of long-term obligations	\$ 8,203,132.00	\$ 12,388,568.00
Total Non-Current Liabilities	<u>\$ 8,261,640.83</u>	<u>\$ 12,528,618.75</u>
TOTAL LIABILITIES	<u><u>\$ 11,433,280.85</u></u>	<u><u>\$ 15,626,714.19</u></u>
Deferred Inflow of Resources (Pension Related)	<u>\$ 5,914,304.00</u>	<u>\$ 4,116,036.00</u>
NET ASSETS		
Investments in capital assets	\$ 7,683,485.35	\$ 8,079,269.11
Retained earnings	<u>\$ 4,154,243.79</u>	<u>\$ 7,090,270.40</u>
TOTAL NET ASSETS	<u><u>\$ 3,529,241.56</u></u>	<u><u>\$ 988,998.71</u></u>

Journey from Prison to Success

– Kendrick Youngblood

By: **Tujauna White**, MSI Website Admin, Communication, Sales, Michigan State Industries

Life after Prison for many formerly incarcerated individuals is anything but a cake walk. Sure, they have gained their freedom, but they also face a host of challenges as they assimilate back into society. The most widely known obstacles to reentry are employment and housing discrimination ... but many formerly incarcerated individuals can also face roadblocks in the areas of public assistance and food stamps, voting, adoptive and foster parenting, and sometime the simple act of obtaining a drivers' license becomes a major task to try to accomplish. There are many formerly incarcerated individuals whose only wish is to be given another chance. A chance to get a good education, a chance to work, a chance to have their voting rights restored, and a chance to learn a skill that would provide the needed resources for a better life.

Kendrick Youngblood, a former worker at the **Michigan State Industries' (MSI) Janitorial Factory Operation** is a reentry success story that will inspire others to "never give up!" His inspirational story of hard work and persistence will pave the way for others who are on the same road to redemption. In society today, formerly incarcerated prisoners can face the stigma of being convicted for life. A conviction is like the metaphorical scarlet let-



Kendrick Youngblood

ter. When people see you, they see your conviction because many will never let you forget that you committed a crime.

Fortunately, some attitudes and perceptions have shifted and we are beginning to witness a paradigm shift in how formerly incarcerated individuals are treated. In the **City of Detroit** for example, **Mayor Mike Duggan** introduced and implemented the **Returning Citizens Program**. This is a nationally recognized program

that partners with local companies who make it a practice to hire formerly incarcerated individuals. One of those companies, **Arrow Chemical Supply, Inc.** strongly believed in second chances and hired Youngblood after release. This experience and opportunity catapulted him into the successful man he is today.

Kendrick Youngblood's story begins with his training at the **MSI Janitorial Factory Operation** located at the **Ryan Correctional Facility** through a classification work detail assignment. **Curtis White**, MSI Janitorial Factory Operations Manager hired Youngblood who was employed at the operation for over seven years prior to being paroled. Mr. Youngblood had been incarcerated with the **Michigan Department of Corrections** since he was a young teen and served well over ten plus

“Mr. Youngblood has shown that it doesn’t matter what you have been through in your past, you can always make a future for yourself and build a bridge to success.”

Curtis White, MSI Janitorial Factory Operation Manager

years. He immediately showed a desire to excel and his motivation and determination to improve himself became his focus. He learned valuable skills in chemical batch processing, mixing, packaging, shipping and receiving ... almost every aspect of the janitorial chemical operation.

Due to his positive attitude and leadership skills, he promoted to the **Main 5 Rate** (floor leader) for the operation. He had a “get it done” attitude which motivated other incarcerated workers on the team. Youngblood played a very integral part in developing, managing, and supervising the **Ryan Correctional Facility Hi-lo certification program** which certified an average of 20 incarcerated individuals per cycle. His personality and work ethic were impeccable and always noticed by all that surrounded him from the facility staff to vendors who visited the operation. Youngblood’s persistence in staying focused on acquiring various certifications and work skills training along with his willingness to improve himself at all costs led to an early release and parole from prison.

Upon release, Youngblood was offered a position with Arrow Chemical Supply Company, a vendor of the MSI Janitorial Operations program. He was hired due to the knowledge, skills, training, and experience gained from his employment with MSI, and eventually became a supervisor within the Arrow Chemical Supply Company. He also held other positions with the organization,

and his immediate supervisor **Cindy Schroeder**, former President, shared a letter (see page 24) with MSI regarding his employment at Arrow. Youngblood is currently employed by the **Chrysler Manufacturing Operations Plant** in Detroit, MI.

Curtis White, MSI Janitorial Factory Operation Manager states “Mr. Youngblood has shown that it doesn’t matter what you have been through in your past, you can always make a future for yourself and build a bridge to success.”

Continued on page 24



Mr. Youngblood's immediate supervisor **Cindy Schroeder**, former President, Arrow Chemical Supply Company shared this letter with MSI regarding his employment at Arrow.



February 15, 2022

Arrow Chemical Products, Inc. is a believer in the judicial system that inmates can be reformed. On Oct 1, 2018 we hired a gentleman, Kenneth Youngblood. We were very aware that he spent most of his life adult life in the state penitentiary. We were also aware of his background.

Ken came to the interview and was properly prepared and knew a great deal about blending chemicals, safety issues, haz-mat requirements, record keeping, and most impressive, he was adamant about his impeccable work ethic. Ken is very well spoken, eager, appreciative and quite obviously sincere.

Ken started working at our family business as a mixer. A key position at Arrow Chemical. We cross-train at our company to keep employees well-rounded and able to transition to another role with ease. Ken is a quick study and adapted well in every situation. He quickly rose through the ranks and was promoted to shift manager. Approximately 20 men and women reported to Ken. He consistently led by example, an outstanding team player, and treated co-workers with dignity and respect. Ken and his team were always tops in production.

Ken was an excellent manager. In turn, he demanded excellence from his team. He kept them enthusiastic and motivated. We could count on orders that were done correctly, quality checked and thorough. As part of our management team, he came to weekly meetings prepared, he contributed in countless ways and implemented processes that are still used today.

Lastly, I'd like to share with anybody considering hiring an employing trained by Mr. Curtis White to expect a winner. Curtis laid the ground work for men like Ken Youngblood to thrive in any organization. Ken had keys to our building including the office and safe. He proved over and over that he is not only trustworthy but, a true asset to our company.

We sold the business in 2021. The new company moved all of the manufacturing to Kalamazoo so, to no fault of Ken's, his position was eliminated. He did stay on with the new company until our very last day of production. He was offered a job but unfortunately it would have required him to re-locate his family. Ken was very grateful for the Arrow Chemical opportunity and said so on many occasions. Arrow Chemical was the real winner in this situation, as he accepted a position with us. Speaking from myself and the Arrow team, we all miss him as a fellow co-worker and a friend. He is a kind, soft spoken, dependable, helpful, and all-around great guy.

Respectfully submitted,

Cindy Schroeder, (former President)
Arrow Chemical Products, Inc.
2067 Ste. Anne
Detroit, MI 48216

5933 West KL Ave. • Kalamazoo, MI 49009
p: 313.237.0277 • f: 313.237.0279
www.arrowchemicalproducts.com

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.

An aerial photograph showing a coastline. On the left, a dense forest of trees is in full autumn foliage, displaying a mix of bright yellow, orange, and red. The forest meets a dark, rocky shoreline. To the right, the water is a vibrant turquoise color with white-capped waves breaking against the shore. The overall scene is bright and scenic.

206 E. Michigan Ave | Lansing, MI 48933

www.michigan.gov/msi | (ph) 517-335-3771

View from overlook St. Ignace, Michigan