



Detroit Wayne Integrated Health Network

**Financial Report
with Supplemental Information
September 30, 2023**

Detroit Wayne Integrated Health Network

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March 26, 2024

Board of Directors
Detroit Wayne Integrated Health Network
Detroit, Michigan

Ladies and Gentlemen:

I am pleased to present the financial statements for the Detroit Wayne Integrated Health Network (DWIHN) for the fiscal year ended September 30, 2023 along with the Independent Auditors Report. This report is prepared for the purpose of disclosing DWIHN's financial condition and is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meets all requirements of the state finance laws of the State of Michigan.

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of DWIHN by independent certified public accountants, within six months of the close of each fiscal year.

Management assumes full responsibility for the completeness, accuracy and fairness of the information contained in the report. Plante Moran, PLLC has issued an unmodified ("clean") opinion on DWIHN. The independent Auditor's Report is located at the front of the financial section of this report. Management believes the information presented is materially accurate and that its presentation fairly shows the financial position and results of operations of DWIHN and that the disclosures will provide the reader with an understanding of DWIHN's affairs.

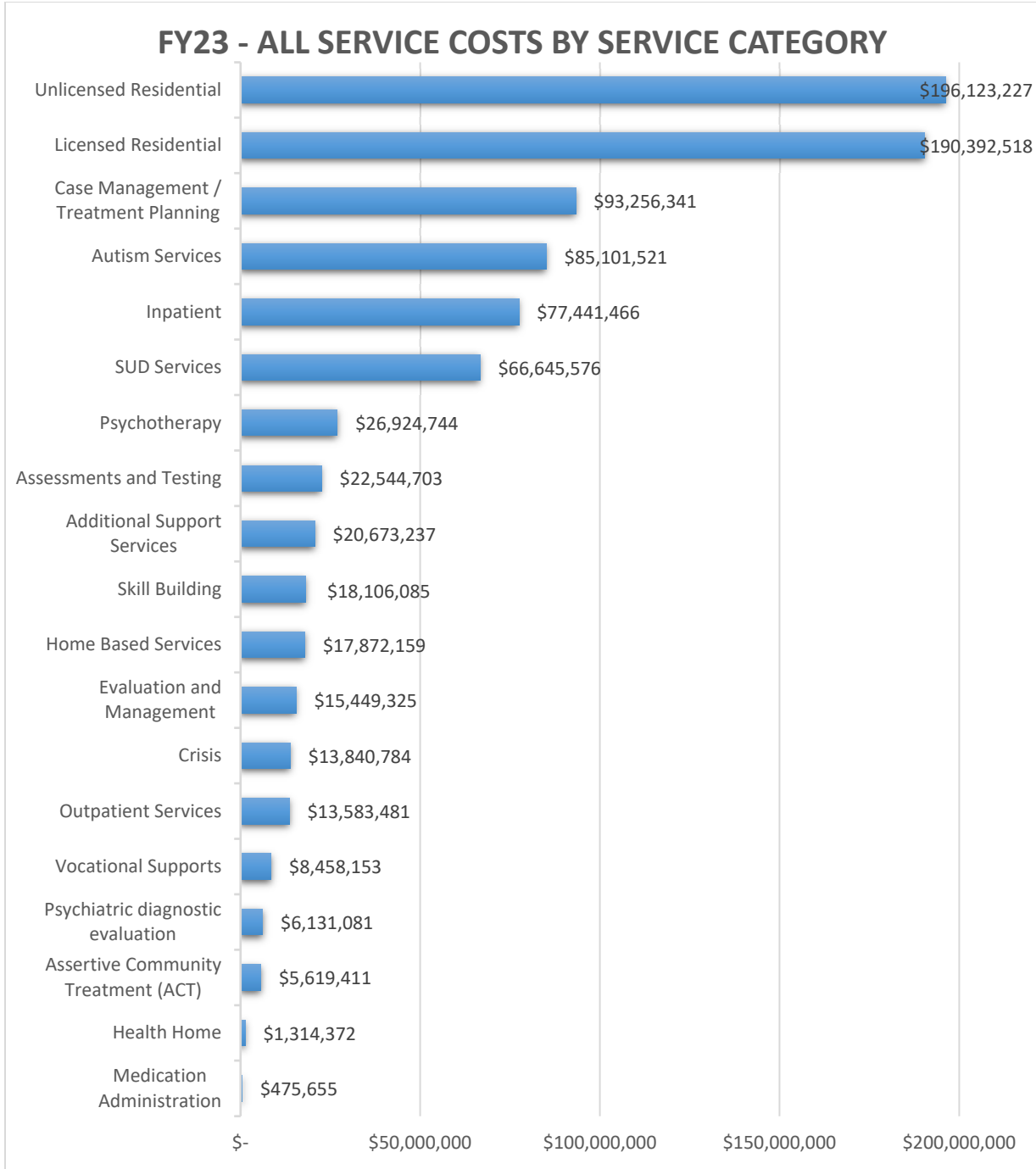
DWIHN has prepared its financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, and analysis that accompany the Basic Financial Statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction. The MD&A can be found immediately following the report of the independent auditors.

Profile and Demographics of DWIHN

DWIHN serves over one hundred thousand (100,000) members located within the Charter County of Wayne (the County) in the State of Michigan with an approximate population of 1.8 million in the county. The County is the most populous county in the State of Michigan and the 19th most populous county in the nation. The County encompasses approximately 673 square miles and is made up of thirty-four (34) cities, including the City of Detroit, nine (9) townships and thirty-three (33) school districts. The following chart provides additional demographic information regarding persons served in FY23:

TRANSMITTAL LETTER

<i>Population by Race</i>	<i>Population</i>	<i>Percentage</i>
Black/African American	43,518	54%
White	23,731	30%
Arab American	1,432	2%
Other races	8,254	10%
Unreported	3,001	4%
<i>Population by Service Area</i>		<i>Percentage</i>
Detroit	38,919	51%
Out-County	37,595	49%
<i>Population by Age</i>	<i>Population</i>	<i>Percentage</i>
Children (under 18)	17,761	23%
Adults (18-21)	3,945	5%
Adults (22-50)	34,730	45%
Adults (51-64)	15,665	20%
Adults (over 65)	6,374	8%
<i>By Disability Designation</i>	<i>Population</i>	<i>Percentage</i>
Adults with MI	47,439	66%
Children with SED	11,140	15%
Individuals with an I/DD	13,838	19%
SUD -Served (co-occurring with other populations)	17,362	
<i>Insurance</i>	<i>Consumers</i>	<i>Percentage</i>
Medicaid	49,674	62%
Healthy Michigan Plan	19,884	25%
General Fund/Spend-down	4,690	6%
MiHealthLink	6,464	8%



Note: SUD = Substance Use Disorder

The Mental Health Code: Public Act 258 of 1974 (as amended)

Michigan’s Mental Health Code is the compilation of state laws governing the management and delivery of mental health services. The law was first established in 1974 and has since been amended, most significantly in 1996. There are currently forty-six (46) community mental health service programs (CMHSP). The law requires the board to consist of twelve (12) members appointed by county commissioners for three-year staggering terms. The law also requires the CMH board approve an annual budget after holding a public meeting to obtain community input.

DWIHN Board of Directors

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William Phillips, Secretary
Karina Bentounsi
Angela Bullock
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Eva Garza Dewaelsche
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The Reporting Entity and Its Services

In December of 2012, Governor Rick Snyder signed Public Acts 375 and 376 in 2012 that required Wayne County to establish its community mental health services program as an independent governmental entity, separate and distinct from the County functions. These acts mandated a change in governance from a Mental Health Agency to a Mental Health Authority. On June 6, 2013, Wayne County Commission approved the Enabling Resolution 2013-392 which created the new Authority. During this same period, the Application for Participation (AFP), which enabled DWIHN to maintain its designation as a Prepaid Inpatient Health Plan (PIHP) as well as its eligibility to contract for Medicaid funds, was successfully completed and approved by the Michigan Department of Health and Human Services (MDHHS) formerly Michigan Department of Community Health.

In addition, effective October 1, 2014, House Bills 4862 and 4863 signed on December 28, 2012 transferred the duties of the Coordinating Agencies (CA) to the PIHP. CA's were responsible for the administration of substance use disorders (SUD) services to Detroit and Wayne County residents; the prior Wayne County CA's were the City of Detroit (via Institute for Population Health) and Southeastern Michigan Coordinating Agency (SEMCA).

The purpose of DWIHN is to provide support, care and treatment services to adults with severe mental illness (SMI), individuals with intellectual and/or developmental disabilities (IDD), children with serious emotional disturbances (SED) and persons with substance use disorders (SUD) and their families so they can make choices in care, live in the community and achieve desired outcomes through individualized health goals.

Adult Mental Health Services Program

The purpose of the Adult Mental Health Services Program is to provide individualized psychiatric outpatient, residential, case management, hospital, and emergency treatment and supportive services to adults and families at risk of or experiencing a mental illness so they can achieve psychiatric stability and/or a stable living environment.

Intellectual/Developmental Disability Services Program

The purpose of the Intellectual/Developmental Disability Services Program is to provide screening/referral and specialized supports and services including skill building, community living services and personal care to children, adolescents and adults with intellectual/developmental disabilities so they can obtain their personal optimal level of independence. I/DD are a group of conditions due to an impairment in physical, learning, language, or behavior areas that start in childhood.

Children's Mental Health Services Program

The purpose of the Children's Mental Health Services Program, in collaboration with community partners, is to provide individualized and family-centered psychiatric outpatient, home-based, crisis intervention and prevention services to children, adolescents, and their families at risk of experiencing a serious emotional disturbance so they can live within the community. The services are community-based, family centered, youth guided, culturally and linguistically responsive and trauma informed.

Substance Use Disorder Services Program

The purpose of the Substance Use Disorder Services Program is to provide assessment/eligibility determination, outpatient treatment, residential, referral and medication management services to children, adolescents and adults with substance abuse disorders so they can obtain and sustain individual recovery and participate fully in the community. With over seventy-five providers, our continuum of care consists of prevention, treatment and recovery services.

Mental Health Access Center Program

The purpose of the Mental Health Access Center Program is to provide screening, eligibility, enrollment information, emergency telephone referral and counseling services to service providers and individual callers with mental health concerns so they can receive an eligibility determination, choice of provider, program enrollment or requested/needed services or information within a timely manner.

Rights and Customer Supports Program

The purpose of the Rights and Customer Supports Program is to provide the legally mandated rights protection and consumer affairs (investigation of complaints and grievances; monitoring sites of service; training system staff and consumers; family subsidy; information; referrals), so consumers and their families can receive appropriate mental health services in accordance with the Federal, State and Local laws, rules, guidelines and policies.

Mental Health Oversight/Monitoring Program

The purpose of the Mental Health Oversight/Monitoring Program is to provide oversight and management of services that assure access, adequacy and appropriateness of services, efficiency and outcomes for individuals with mental illness, serious emotional disturbance, developmental disability and substance use disorders so they can obtain recovery and self-determination. As the public mental health system, DWIHN offers a culturally diverse network of community mental health programs, clinics, private therapists, psychologists and psychiatrists to provide mental health services. We do our best to match consumers with the services needed at a location that is close to them.

DWIHN provides services in coordination and collaboration with over four hundred (400) providers and contractors.

Major Initiatives and Achievements

707 Crisis Care Center

Construction on DWIHN's first directly operated crisis care center is expected to reach completion in May 2024. Floors 1-2 were completely renovated (25,000 sq ft) to support DWIHN crisis services. Additional infrastructure and exterior upgrades to the facility were included in the project. The building will house several administrative services that directly support the care center, an Adult and Adolescent Crisis Stabilization Unit, Building Empowerment and Supportive Transition Team (BEST) and an outdoor activity area.

New Administrative Building

This unique 24,000 sq ft building was the former Detroit Public Library building located on Woodward in the Boston Edison district and was built in 1912. The building will become DWIHN's new administrative headquarters. Construction is slated to finish in late March 2024. The building will feature new infrastructure and extensive interior renovations, new parking lots, refinished original fireplaces, repaired copper cornice, and restoration of exterior brick and Terrazzo floors.

7 Mile Regional Behavioral Health Campus

The design for DWIHN's 2nd Care Center is well underway. DWIHN began prepping the newly purchased land for development which is located on 7 Mile just west of the Southfield Freeway. The facility will include administrative and community space, children's and adult crisis stabilization units, an adult crisis residential unit, and dental, medical and vision clinics.

Mobile Application Launch

DWIHN deployed the first of its kind in Michigan, a mobile application that is accessible to everyone in our community. This innovative application provides a wealth of resources, event information, and facilitates direct phone-to-phone connections for individuals in need. Additionally, it offers access to a variety of training courses, contributing to the empowerment of our community members.

Retention Payment and Financial Stability Payments

In recognition of the difficult year faced due to the global pandemic and increased demands on the workforce, in accordance with *2 CFR Part 200.430 Compensation*, DWIHN offered a retention payment to all employees in the Wayne County provider network that served DWIHN members that were employed on September 30, 2023. DWIHN paid out approximately \$20.7 million to approximately sixteen thousand (16,000) full and part time clinical and administrative employees in the Wayne County based provider network. In addition, DWIHN paid out \$21.8 million in additional payments to adult and children Clinically Responsible Service Providers, Autism, Skill Building, and SUD providers to stabilize the network due to reduced utilization as a direct impact of the pandemic.

The preparation of the basic financial statements was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We would also like to express our appreciation to other DWIHN staff for their continued support of the policies of the Department.

Respectfully submitted,

Stacie L. Durant

Stacie L. Durant, *Vice-President of Finance*

Independent Auditor's Report

To the Board of Directors
Detroit Wayne Integrated Health Network

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Detroit Wayne Integrated Health Network (DWIHN) as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise DWIHN's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Detroit Wayne Integrated Health Network as of September 30, 2023 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of DWIHN and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DWIHN's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Detroit Wayne Integrated Health Network

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of DWIHN's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DWIHN's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Information

Management is responsible for the accompanying budgetary comparison schedule and transmittal letter, which are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Our opinion on the financial statements does not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of Detroit Wayne Integrated Health Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Detroit Wayne Integrated Health Network's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Wayne Integrated Health Network's internal control over financial reporting and compliance.



March 26, 2024

These financial statements are the responsibility of the management of the Detroit Wayne Integrated Health Network (DWIHN). We offer this narrative overview and analysis for the fiscal year ending September 30, 2023. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Total net position	\$198,287,761
Change in total net position	\$ 40,944,274
Installment debt outstanding	\$ 12,299,853
Liquidity ratio	1.18

Background

On December 14, 2012, the Michigan Legislature approved, and the Governor signed Public Acts 375 and 376 of 2012, a Mental Health Authority bill. Effective October 1, 2013, the new law transferred management and control to a separate legal entity (DWIHN). The new Authority is comprised of twelve (12) board members; the County Executive and the Mayor of the City of Detroit each recommended six (6) members. The appointments of the twelve (12) board members are subject to confirmation by the Wayne County Commission. Prior to the Public Acts, DWIHN, previously the Detroit Wayne County Community Mental Health Agency, was reported in the Charter County of Wayne (the County) Comprehensive Annual Financial Report as a special revenue fund.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements Nos. 14 and 34*, DWIHN is not a discretely presented component unit of Wayne County.

DWIHN provides limited direct services to the community however we contract with hundreds of network providers.

Dual Eligible Pilot Program (MI Health Link/MHL)

The State of Michigan selected DWIHN as one (1) of four (4) Prepaid Inpatient Health Plans (PIHP) to participate in the Dual-Eligible demonstration pilot project (aka MI Health Link) that began in May 2015 and was extended to December 31, 2025. The pilot was designed to integrate primary care with mental health and substance use disorder treatment to improve overall health care outcomes, create greater efficiencies in the delivery of services, and reduce costs. The integrated care model organizes the coordination of the Medicare and Medicaid benefits and requires collaboration between the Integrated Care Organizations (ICOs), DWIHN, and its privileged provider network. It also involved developing and negotiating five (5) contracts with ICO's.

Overview of the financial statements

This discussion and analysis are intended to serve as an introduction to DWIHN's financial statements, which include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Notes to the Financial Statements, and Other Supplemental Information - Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual.

In addition, DWIHN will present its financial statements as a proprietary fund.

Financial Analysis

Net position may serve overtime as a useful indicator of an organization's financial position. The following depicts DWIHN's net position on September 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 263,050,364	\$ 315,879,992
Noncurrent assets	76,692,222	78,154,371
Capital assets, net	<u>48,455,814</u>	<u>19,098,399</u>
Total Assets	388,198,400	413,132,762
Current liabilities	177,610,786	255,789,275
Notes Payable	<u>12,299,853</u>	-
Total Liabilities	189,910,639	255,789,275
Net position:		
Invested in capital assets, net of related debt	33,531,379	14,135,746
Restricted	100,387,200	92,300,609
Unrestricted	<u>64,369,182</u>	<u>50,907,132</u>
Total net position	<u>\$ 198,287,761</u>	<u>\$ 157,343,487</u>

DWIHN current assets comprise of \$209.3 million in cash and investments held at four (4) financial institutions. In addition, approximately \$35.0 million is due from the federal and state government for federal and state revenue outstanding at year end. Non-current assets consist of \$54.9 million in investments held with investment managers and \$21.8 million for cash held against collateralized construction loans related to the administrative building and new care center. Capital assets primarily relate to land, the construction of the administration and care center buildings, furniture/fixtures and computer equipment.

Current liabilities comprise of \$127.4 million in accounts payable due to providers and vendors for services rendered but unpaid at year end. Approximately \$9.4 million is due to other governments related primarily to a Federal Office of Inspector General death audit recoupment for \$4.6 million, and the 4th quarter 2023 IPPA Tax payment for \$2.9 million. In addition, \$4.6 million is related to accrued employee wages and compensated absences. Lastly, approximately \$32.4 million is for unearned revenue related to the Healthy Michigan Plan savings carried over to the subsequent year and the first to be expended.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted net position comprises \$9.3 million in PA2 funds held for substance use disorders, \$21.8 million in cash collateral related to the construction loans, and \$69.3 million in a Medicaid Internal Service Fund. Unrestricted net position relates to the accumulation of local resources on hand at year end.

The Statement of Revenues, Expenses and Changes in Net Position serves to report the cumulative revenue and expenses received and/or incurred for the organization.

	<u>2023</u>	<u>2022</u>
Revenues		
Federal grants and contracts	\$ 26,941,323	\$ 24,192,930
State grants and contracts	1,018,858,939	934,723,254
Local grants and contracts	30,118,703	28,596,978
Charges for services	15,746,578	21,439,480
Interest revenue	5,145,125	-
Other revenue	828,579	7,220
Total revenues	<u>1,097,639,247</u>	<u>1,008,959,862</u>
Expenses		
Mental health operating	45,212,563	42,122,959
Substance use disorders	68,574,814	57,627,494
Autism services	91,473,656	74,833,930
MI HealthLink	14,965,115	13,979,825
Adult services	344,927,460	316,121,655
Children services	71,832,025	72,391,031
Intellectually Disabled	392,809,948	376,610,520
Care Center	1,400,587	-
Grant programs	7,806,400	9,539,525
State of Michigan	17,248,765	18,795,727
Investment losses	-	2,186,509
Interest paid on debt	443,640	192,976
Total expenses	<u>1,056,694,973</u>	<u>984,402,151</u>
Change in Net Position	40,944,274	24,557,711
Net position - beginning of year	<u>157,343,487</u>	<u>132,785,776</u>
Net position - end of year	<u>\$ 198,287,761</u>	<u>\$ 157,343,487</u>

State grants and contracts comprise \$794.4 million, \$196.3 million, and \$24.0 million in Medicaid, Healthy Michigan, and State General fund, respectively, including prior year Medicaid savings and General Fund carryover.

The \$84.1 million increase in State grants and contract revenue compared to the prior year primarily relates to an increase in Medicaid capitation payments of \$57.8 million received from the State of Michigan. Local grants and contracts comprise of the local match requirement mandated in the Mental Health Code in addition to the PA2 substance use disorder revenue. Charges for services relate to funds received from the ICO's for the MHL pilot program.

DWIHN operating expenses comprise of salaries and fringe benefits for DWIHN staff (\$36.9 million), depreciation expense (\$1.1 million), and the Electronic Medical Record (EMR) system (\$1.2 million). The \$3.1 million increase in operating costs as compared to the previous year is primarily related to a \$1.6 million increase in wages and fringe benefits and \$.5 million increase in various technology licenses and software.

The overall SUD, Autism, Adult, Children, and IDD provider network costs increased by \$72.1 million as compared to prior year due to DWIHN implementing a one-time three percent (3%) rate increase for fee for service codes in addition to a \$1.00/hr. rate increase for direct care worker procedure codes. These combined rate increases amounted to \$40 million. The remaining increase of approximately \$32.1 million relates to an overall increase in service utilization that is closer to pre-pandemic levels.

The Care Center costs comprise of startup expenses which are primarily salaries and fringes of employees assigned to the crisis center at 707 West Milwaukee, the former administrative building.

Payments to the State of Michigan totaled \$17.2 million and comprise of local match payment to drawdown federal funds, local state hospital costs and the Insurance Provider Assessment Act (IPA) tax payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following shows a comparison of the final amended budget to actual results in the Statement of Revenue, Expenses, and Changes in Net Position:

	Final Amended Budget	Actual	Increase (Decrease)
Operating revenues			
Federal grants and contracts	\$ 31,560,996	\$ 26,941,323	\$ (4,619,673)
State grants and contracts	986,693,240	1,018,858,939	32,165,699
Local grants and contracts	28,450,968	30,118,703	1,667,735
Charges for services	9,926,123	15,777,157	5,851,034
Total operating revenues	1,056,631,327	1,091,696,122	35,064,795
Operating expenses			
Salaries and fringes	\$ 36,885,132	36,857,715	(27,417)
Substance use disorders	69,281,508	68,574,814	(706,694)
Autism services	82,151,734	91,473,656	9,321,922
MI HealthLink	9,876,123	14,965,115	5,088,992
Adult services	335,171,858	344,927,460	9,755,602
Children services	76,353,171	71,832,025	(4,521,146)
Care Center	5,417,745	1,400,587	(4,017,158)
Intellectually Disabled	397,459,320	392,809,948	(4,649,372)
Grant programs	11,145,471	7,806,400	(3,339,071)
State of Michigan	18,830,100	17,248,765	(1,581,335)
Operating costs	7,318,683	7,274,595	(44,088)
Depreciation	1,766,793	1,080,253	(686,540)
Total operating expenses	\$ 1,051,657,638	\$ 1,056,251,333	4,593,695
Operating income (loss)	4,973,689	35,444,789	30,471,100
Non-operating revenue (expense)			
Interest expense	(560,000)	(443,640)	116,360
Capital contribution	-	798,000	798,000
Investment earnings (loss)	1,000,000	5,145,125	4,145,125
Total non-operating revenue	440,000	5,499,485	5,059,485
Change in net position	<u>\$ 5,413,689</u>	40,944,274	<u>\$ 35,530,585</u>
Net position - beginning of year		<u>157,343,487</u>	
Net position - end of year		<u>\$ 198,287,761</u>	

Budgetary Highlights

DWIHN adopted an annual operating budget by October 1 of the previous year. The budgetary comparison schedule has been provided to demonstrate compliance with this budget. During the year, there were several significant changes from the original to the final amended budget. The changes are as follows:

	Adopted Budget	Final Amended Budget	Variance Over (Under)
Federal grants and contracts	\$ 21,998,693	\$ 31,560,996	\$ 9,562,303
State grants and contracts	893,479,896	986,693,240	93,213,344
Local grants and contracts	21,967,986	28,450,968	6,482,982
Other operating revenue	9,926,123	9,926,123	-
Total operating revenues	<u>947,372,698</u>	<u>1,056,631,327</u>	<u>109,258,629</u>
Salaries and related fringes	\$ 36,822,681	\$ 36,885,132	\$ 62,451
Substance use disorders	67,601,056	69,281,508	1,680,452
Autism services	68,989,467	82,151,734	13,162,267
MI HealthLink	9,876,123	9,876,123	-
Adult Services	279,483,637	335,171,858	55,688,221
Children Services	86,501,395	76,353,171	(10,148,224)
Care Center	918,586	5,417,746	4,499,160
Intellectually Disabled	359,090,749	397,459,320	38,368,571
Grant Programs	10,613,430	11,145,471	532,041
State of Michigan	18,830,100	18,830,100	-
Operating costs	7,318,682	7,318,683	1
Depreciation	1,766,792	1,766,792	-
Total operating expenses	<u>\$ 947,812,698</u>	<u>\$ 1,051,657,638</u>	<u>\$ 103,844,940</u>
Nonoperating Revenue (expense)			
Interest paid on debt	(560,000)	(560,000)	-
Investment earnings	1,000,000	1,000,000	-
	<u>440,000</u>	<u>440,000</u>	<u>-</u>
Change in net position	<u>\$ -</u>	<u>\$ 5,413,689</u>	<u>\$ 5,413,689</u>

The federal grants and contracts increased by \$9.6 million due to the certification of \$4.5 million for the mobile crisis grant received by SAMSA, in addition to \$4.1 million in substance use disorder COVID 19 grants. Approximately \$86.7 million of the \$93.2 million increase to state grants and contracts relates to an increase in Medicaid funding received from the State of Michigan and the permanent appropriation for the inclusion of hazard pay in the capitation payments. In addition, \$6.3 million relates to a state grant to purchase and construct an integrated care center in the city of Detroit. Local grants and contracts increased by \$5.8 million related to a performance incentive bonus plan received from the state of Michigan.

Economic Factors and Next Year's Budget

- Although DWIHN did not receive an allocation from the initial Opioid settlement, after months of negotiation, the Michigan Department of Attorney General determined that DWIHN was eligible to apply to the Special Circumstances Fund. Accordingly, DWIHN applied and presented our case in a mediation hearing and was awarded approximately \$5.1 million for the period of 2023 through 2030.
- The Public Health Emergency (PHE) ended on May 11, 2023. DWIHN is working diligently to address the long-term health and mental impact to the community as it emerges from the pandemic. There is significant reliance on Medicaid funding as PIHP's funding is based on the number of Medicaid eligibles in Wayne County. While PIHP's anticipate a reduction in funding, there appears to be a continuation in the decline of the Disabled Aged and Blind (DAB) Medicaid eligibles. This population allows PIHP's to serve the most costly and severe members and as such a reduction jeopardizes our ability to serve and remain financially stable.
- Several years ago, MDHHS established a workgroup amongst the Community Mental Health Services Programs (CMHSP) to review and make recommendations on how State General Fund will be allocated between the CMHSP's; the workgroup's recommendation included a \$22 million reduction to DWIHN's appropriation. The PHE provided some reprieve along with a \$5 million supplemental appropriated several years ago. With the end of the PHE, the future of DWIHN's general fund is unknown at this time however if the workgroup recommendation is adhered to, DWIHN will not have sufficient General Fund to cover the mandated responsibilities set forth in the Mental Health Code.
- Employment rates have a direct impact on the recruiting and retention efforts of DWIHN and its provider network workforce. The State of Michigan's unemployment rate has been steadily declining since the onset of the COVID19 Pandemic in 2020. According to the Bureau of Labor Statistics, December 2020, 2021, and 2022, unemployment rates decreased from 7.0% to 5.1% to 4.3%. Similarly, employment increased from December 2020 to 2021 and 2022, from 4.37 million to 4.54 million to 4.64 million. From December 2020 to 2021 and then to 2022 the County's unemployment rate has decreased from 9.8% to 5.3% and to 4.0%.

Requests for Information

This financial report is designed to provide a general overview of DWIHN's finances. Questions concerning any of the financial information or requests for additional financial information, should be addressed to the following:

Detroit Wayne Integrated Health Network
 Vice-President of Finance
 707 W. Milwaukee
 Detroit, Michigan 48202

Detroit Wayne Integrated Health Network

Statement of Net Position

September 30, 2023

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 183,597,180
Investments (Note 3)	25,716,431
Receivables: (Note 5)	
Accounts receivable	17,874,270
Due from other governmental units	34,980,738
Prepaid expenses and other assets	881,745

Total current assets 263,050,364

Noncurrent assets:

Restricted cash (Note 2)	21,756,185
Investments (Note 3)	54,936,037
Capital assets: (Note 6)	
Assets not subject to depreciation	37,591,325
Assets subject to depreciation - Net	10,864,489

Total noncurrent assets 125,148,036

Total assets 388,198,400

Liabilities

Current liabilities:

Accounts payable	127,442,373
Due to other governmental units	9,432,105
Accrued wages and benefits	2,469,636
Unearned revenue	36,146,692
Compensated absences (Note 7)	2,119,980

Noncurrent liabilities - Long-term debt (Note 7) 12,299,853

Total liabilities 189,910,639

Net Position

Net investment in capital assets 33,531,379

Restricted:

Restricted for substance abuse disorder PA2	9,330,007
Restricted for risk financing - Medicaid ISF	69,301,008
Restricted cash collateral	21,756,185

Unrestricted 64,369,182

Total net position \$ 198,287,761

Detroit Wayne Integrated Health Network

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2023

Operating Revenue	
State grants and contracts	\$ 1,018,858,939
Charges for services	15,746,578
Local grants and contracts	30,118,703
Federal grants and contracts	26,941,323
Other revenue	30,579
Total operating revenue	1,091,696,122
Operating Expenses	
Personnel	27,137,618
Fringe benefits	9,718,434
Substance use disorder services	68,574,814
Autism services	91,473,656
MI Health Link	14,965,115
Adult services	344,927,460
Children services	71,832,025
Intellectually disabled	392,809,948
Grant programs	7,806,400
State of Michigan	17,248,765
Operating costs	7,276,258
Care center	1,400,587
Depreciation	1,080,253
Total operating expenses	1,056,251,333
Operating Income	35,444,789
Nonoperating Revenue (Expense)	
Investment income - Net	5,145,125
Interest expense	(443,640)
Total nonoperating revenue	4,701,485
Income - Before capital contributions	40,146,274
Capital Contributions	798,000
Change in Net Position	40,944,274
Net Position - Beginning of year	157,343,487
Net Position - End of year	\$ 198,287,761

Detroit Wayne Integrated Health Network

Statement of Cash Flows

Year Ended September 30, 2023

Cash Flows from Operating Activities

Cash received from state and federal sources	\$ 1,047,833,806
Cash received from local sources	17,969,149
Payments to providers and suppliers	(1,060,242,091)
Payments to employees	(44,780,103)
Payments to state sources	<u>(11,729,126)</u>

Net cash and cash equivalents used in operating activities (50,948,365)

Cash Flows from Capital and Related Financing Activities

Construction loan draws	12,299,853
Net purchase of capital assets	(29,639,668)
Principal and interest paid on capital debt	<u>(5,406,293)</u>

Net cash and cash equivalents used in capital and related financing activities (22,746,108)

Cash Flows from Investing Activities

Investment income - Net	5,145,125
Purchases of investment securities - Net of sales	<u>(9,713,972)</u>

Net cash and cash equivalents used in investing activities (4,568,847)

Net Decrease in Cash and Cash Equivalents

(78,263,320)

Cash and Cash Equivalents - Beginning of year

283,616,685

Cash and Cash Equivalents - End of year

\$ 205,353,365

Classification of Cash and Cash Equivalents

Cash and investments	\$ 183,597,180
Restricted cash	<u>21,756,185</u>

Total cash and cash equivalents **\$ 205,353,365**

Reconciliation of Operating Income to Net Cash and Cash Equivalents from Operating Activities

Operating income	\$ 35,444,789
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:	
Depreciation	1,080,253
Changes in assets and liabilities:	
Account receivable	(15,172,632)
Due from other governmental units	(4,332,523)
Prepaid and other assets	(109,089)
Accrued wages and benefits	(590,409)
Accounts payable	(55,920,302)
Compensated absences	380,674
Due to other governmental units	<u>(11,729,126)</u>

Net cash and cash equivalents used in operating activities **\$ (50,948,365)**

Significant Noncash Transactions - Capital contribution \$ 798,000

September 30, 2023

Note 1 - Nature of Business

Reporting Entity

Under the provisions of the Michigan Legislature Public Acts 375 and 376 of 2012, and effective October 1, 2013, Detroit Wayne Integrated Health Network (DWIHN) was created for the purpose of providing a comprehensive array of mental health and substance use disorder services for the Charter County of Wayne, Michigan (the "County") residents, such as, but not limited to, inpatient, outpatient, partial day, residential, case management, prevention, consultation, and education. DWIHN was previously a department within the County. DWIHN is a separate legal entity and is not considered a related organization or component unit of the County.

Pursuant to House Bills 4862 and 4863, effective October 1, 2014, the duties and responsibilities of substance use disorders were transferred to the Prepaid Inpatient Health Plans (PIHP), which is DWIHN. The duties were previously performed by the City of Detroit, Michigan and SEMCA, referred to as the "Coordinating Agencies."

Program Operations

DWIHN's operations are governed under the provisions of Act 258 of the Public Act of Michigan of 1974, commonly known as the Mental Health Code (the "Code"). Pursuant to the Code, a board of directors (the "Board") was established to govern DWIHN. DWIHN is subject to federal government and Michigan Department of Health and Human Services (MDHHS) rules and regulations and the Code. DWIHN contracts with over 400 organizations. DWIHN provides administrative oversight and very little direct services to consumers.

Board of Directors

The Board consists of 12 members, 6 recommended by the mayor of the City of Detroit, Michigan and 6 recommended by the county executive. The recommendations are subject to the approval of the Wayne County Commission. Each board member is appointed for a three-year term.

Funding Sources

DWIHN receives its primary funding from the State through Medicaid and state General Fund contracts. The County provides local match funding in accordance with the Mental Health Code, which is used by DWIHN to leverage federal dollars and 10 percent of certain services incurred by uninsured consumers.

Changes in Funding Formula

In an effort to deinstitutionalize mental health services, state funding for public mental health services has evolved. Prior to October 1, 1998, Michigan mental health agency programs billed Medicaid on a fee-for-service (FFS) basis.

Effective for services provided on and after October 1, 1998, the Health Care Financing Administration (HCFA) approved Michigan's 1915(b) waiver request to implement a managed-care plan for Medicaid-reimbursed mental health services. These managed-care plans allowed Community Mental Health Services Programs (CMHSP) to manage, provide/arrange, and pay for Medicaid mental health services covered by the CMHSP. In addition, the CMHSP receives a capitated rate on a per member per month basis to provide services and is responsible for directly reimbursing the service providers who render these services. In the fiscal year ended September 30, 2000, DWIHN and MDHHS entered into a Specialty Services and Supports Managed Care Contract (the "Managed Care Contract").

In 2002, CMHSPs were required to submit an application for participation (AFP) for scoring by MDHHS in order to be considered eligible to qualify as a Prepaid Inpatient Health Plan entity capable of administering the managed specialty services under the waiver program.

September 30, 2023

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The financial statements of the Detroit Wayne Integrated Health Network have been prepared in conformity with generally accepted accounting principles (GAAP), as applicable to governmental units. The more significant of DWIHN's accounting policies are described below.

Report Presentation

This report includes the fund-based statements of DWIHN. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

DWIHN adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments*. Under GASB No. 34, DWIHN is classified as a special purpose government and is required to present statements required for enterprise funds. DWIHN reports its operations in the basic financial statements in an enterprise fund. The Medicaid Risk Reserve Fund is governed by the contract with MDHHS and is restricted for cost overruns related to the Medicaid contract. The net position in the Medicaid Risk Reserve Fund at September 30, 2023 was \$69,301,008.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of DWIHN is charges related to serving its consumers (including primarily per member per month capitation and state and county appropriations). Operating expenses for DWIHN include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenue, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. For the basic financial statements, there is one generic fund type and broad fund category as described below:

Proprietary fund - Enterprise fund - The fund is used to account for those activities that are financed and operated in a manner similar to private business. Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net position. Proprietary fund-type operating statements present increases (revenue) and decreases (expenses) in total net position. This enterprise fund of DWIHN accounts for its general operations and also reports amounts restricted for the Medicaid Risk Reserve allowed by the contract with MDHHS.

When both restricted and unrestricted resources are available for use, it is DWIHN's policy to use restricted resources first and then unrestricted resources as they are needed.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

DWIHN's cash and cash equivalents are held in depository accounts, institutional money market accounts, certificates of deposit, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value.

Accounts Receivable and Due from Other Governmental Units

Accounts receivable represent balances due from when DWIHN cost-settles with certain providers for amounts in excess of payments and costs incurred for services. The amounts of overpayment are determined through audits and/or cost reconciliation. An allowance for uncollectibles has been established based on management's estimate using historical trends. Due from other governmental units represents revenue not yet received from the county, state, and federal government.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in the accompanying statement of net position.

Capital Assets

Capital assets are defined by DWIHN as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All assets are recorded at historical costs, and donated assets are recorded at acquisition value at the time of the donation. Capital assets are depreciated using the straight-line method over a period of 5-20 years.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20
Office equipment	5-7
Vehicles	5-7
Software	10
Computers	5-7
Leasehold improvements	4-5

Restricted Cash

The restricted cash balance of \$21,756,185 is maintained per DWIHN's construction loan agreements.

Accounts Payable and Due to Other Governmental Units

Accounts payable balances include final expenditures due to service providers for the current fiscal year. Also included within accounts payable is approximately \$20.0 million of retention payments, which will be paid to providers. Due to other governmental units represents amounts owed to the State of Michigan.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences

Employees earn paid time off (PTO) benefits based, in part, on length of service. PTO is fully vested when earned. Upon separation from service, employees are paid accumulated PTO based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of PTO leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding these limitations are forfeited.

Unearned Revenue

DWIHN reports unearned revenue in connection with resources that have been received but not yet earned. Within the total of \$36,146,692 of unearned revenue at September 30, 2023, \$32,492,867 relates to Healthy Michigan Plan savings which will be carried over to be expended in the subsequent fiscal year.

State Grants and Contracts Revenue

DWIHN's primary funding source was from the State of Michigan through Medicaid (traditional and Healthy Michigan) and state General Fund contracts totaling approximately \$990.6 million and \$24.0 million, respectively, for the year ended September 30, 2023; this includes prior years' saving and carryovers. The remaining balance was composed of various other state grant contracts.

Provider Contracts

DWIHN contracts with various community-based organizations to deliver mental health and substance use disorder (SUD) services to adults, individuals with developmental disabilities, and children with serious emotional disturbances. In addition, DWIHN contracts with several county departments to administer mental health services, including, but not limited to, the jails, Children and Family Services, and Third Circuit Court.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2025.

September 30, 2023

Note 2 - Significant Accounting Policies (Continued)

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2025.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 26, 2024, which is the date the financial statements were available to be issued.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DW IHN has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in any securities allowed under the act. DW IHN's deposits and investment policies are in accordance with statutory authority.

DW IHN's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, DW IHN's deposits may not be returned to it. At year end, DW IHN had bank deposits totaling approximately \$266,000,000 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. DW IHN believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. DW IHN's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3 - Deposits and Investments (Continued)

At year end, DWIHN had the following investments and maturities:

Investment	Carrying Value	Less Than 1 Year	1-5 Years
Municipal obligations	\$ 13,746,090	\$ 2,869,128	\$ 10,876,962
U.S. federal agencies	34,264,347	4,850,369	29,413,978
U.S. government obligations	19,439,397	8,946,927	10,492,470
Corporate bonds	346,143	-	346,143
Negotiable certificates of deposit	996,292	996,292	-
Collateralized mortgage obligations	4,127,059	1,999,335	2,127,724
Mortgage-backed securities	20,495	-	20,495
U.S. Treasury bills	7,712,645	6,054,380	1,658,265
Total	<u>\$ 80,652,468</u>	<u>\$ 25,716,431</u>	<u>\$ 54,936,037</u>

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools, as identified in the list of authorized investments above. DWIHN's investment policy does not have specific limits in excess of state law on investment credit risk. As of year end, DWIHN's investments were rated as follows:

Investment	Fair Value	Rating	Rating Organization
Municipal obligations	\$ 1,895,727	Aa1	Moody's
Municipal obligations	2,098,485	Aa2	Moody's
Municipal obligations	140,479	Aa3	Moody's
Municipal obligations	1,831,677	Aaa	Moody's
Municipal obligations	<u>7,779,722</u>	Not rated	N/A
Total municipal obligations	13,746,090		
U.S. federal agencies	33,451,073	Aaa	Moody's
U.S. federal agencies	<u>813,274</u>	Not rated	N/A
Total U.S. federal agencies	34,264,347		
U.S. government obligations	18,037,704	Aaa	Moody's
U.S. government obligations	<u>1,401,693</u>	Not rated	N/A
Total U.S. government obligations	19,439,397		
Corporate bonds	346,143	Not rated	N/A
Negotiable certificates of deposit	996,292	Not rated	N/A
Collateralized mortgage obligations	135,015	Aaa	Moody's
Collateralized mortgage obligations	<u>3,992,044</u>	Not rated	N/A
Total collateralized mortgage obligations	4,127,059		
Mortgage-backed securities	20,495	Not rated	N/A
U.S. Treasury bills	4,942,421	Aaa	Moody's
U.S. Treasury bills	<u>2,770,224</u>	Not rated	N/A
Total U.S. Treasury bills	<u>7,712,645</u>		
Total	<u><u>\$ 80,652,468</u></u>		

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk, as identified in the list of authorized investments above. DWIHN's investment policy specifies that no more than 40 percent of the total investment portfolio will be invested in a single security type, and no more than 40 percent of the total investment portfolio shall be invested in assets issued or managed by a single financial institution.

Note 4 - Fair Value Measurements

DWIHN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. DWIHN's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

DWIHN has the following recurring fair value measurements as of September 30, 2023:

	Assets Measured at Fair Value on a Recurring Basis		
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Debt securities:			
Municipal obligations	\$ -	\$ 13,746,090	\$ -
U.S. federal agencies	-	34,264,347	-
U.S. government obligations	-	19,439,397	-
Corporate bonds	-	346,143	-
Negotiable certificates of deposit	-	996,292	-
Collateralized mortgage obligations	-	4,127,059	-
Mortgage-backed securities	-	20,495	-
U.S. Treasury bills	-	7,712,645	-
Total assets	\$ -	\$ 80,652,468	\$ -

The fair value of DWIHN's investments at September 30, 2023 was determined primarily based on Level 2 inputs. DWIHN estimates the fair value of these investments using the matrix pricing model, which includes inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Accounts Receivable and Due from Other Governmental Units

DWIHN cost-settles with certain providers for amounts in excess of payments and costs incurred for services. The accounts receivable balance at September 30, 2023 was approximately \$17,874,000, which is due from certain providers for cost settlements.

The due from other governmental units balance at September 30, 2023 was approximately \$34,981,000. This consists of approximately \$1,021,000 due from Wayne County, Michigan for Public Act 2 funds, approximately \$33,378,000 due from the State of Michigan, and approximately \$582,000 due from the federal government.

September 30, 2023

Note 6 - Capital Assets

Capital asset activity of DWIHN was as follows:

Business-type Activities

	Balance October 1, 2022	Additions	Disposals and Adjustments	Balance September 30, 2023
Capital assets not being depreciated:				
Land	\$ 840,000	\$ 4,789,450	\$ -	\$ 5,629,450
Construction in progress	7,534,083	24,427,792	-	31,961,875
Subtotal	8,374,083	29,217,242	-	37,591,325
Capital assets being depreciated:				
Buildings and improvements	13,349,921	-	-	13,349,921
Computers	1,590,334	69,970	-	1,660,304
Vehicles	5,806	-	-	5,806
Office equipment	1,459,207	299,347	-	1,758,554
Software	3,486,631	851,109	-	4,337,740
Subtotal	19,891,899	1,220,426	-	21,112,325
Accumulated depreciation:				
Buildings and improvements	4,108,590	686,680	-	4,795,270
Computers	1,373,318	132,129	-	1,505,447
Office equipment	1,372,385	40,987	-	1,413,372
Software	2,313,290	220,457	-	2,533,747
Subtotal	9,167,583	1,080,253	-	10,247,836
Net capital assets being depreciated	10,724,316	140,173	-	10,864,489
Net capital assets	<u>\$ 19,098,399</u>	<u>\$ 29,357,415</u>	<u>\$ -</u>	<u>\$ 48,455,814</u>

Construction Commitments

DWIHN has active construction projects at year end. The projects include the Milwaukee Ave. Care Center Renovations and the Woodward Ave. Admin Office Relocation and Renovation. At year end, DWIHN's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Milwaukee Ave. Care Center Renovations	\$ 13,682,000	\$ 2,281,000
Woodward Ave. Admin Office Relocation and Renovation	12,640,000	2,063,000
Total	<u>\$ 26,322,000</u>	<u>\$ 4,344,000</u>

Note 7 - Long-term Debt

On August 28, 2014 and last amended on June 10, 2016, DWIHN signed a 7-year term loan (the "term loan") and a 7-year construction note payable (the "construction note payable") to be paid on a 20-year amortization period with a financial institution (collectively, the "notes payable"). The notes payable totaled \$6.96 million and were for the construction phase of a new headquarters building and for equipment purchases. In December 2022, both of these note payables were paid off in their entirety.

On August 17, 2022, DWIHN entered into a construction loan and an equipment loan with a financial institution for funding of the renovations of the Milwaukee Ave. Care Center (the "Milwaukee loans"). The Milwaukee loans include a construction loan (the "Milwaukee construction loan"), with available draws up to \$9.53 million, and an equipment loan (the "Milwaukee equipment loan"), with available draws up to \$1.28 million. The conversion date for the Milwaukee loan was originally February 17, 2024, at which point the Milwaukee loans were to convert from a draw-to loan to an amortizing term loan for the remaining 42-month term. Subsequent to year end, the financial institution extended the conversion date to May 14, 2024. At the point of conversion, principal payments on the Milwaukee construction loan will be due monthly to be paid on a 20-year amortization period, with the remaining principal due in full on August 15, 2027. At the point of conversion, principal payments on the Milwaukee equipment loan will be due monthly to be paid on a 5-year amortization period, with the remaining principal due in full on August 17, 2027.

Interest on the Milwaukee construction loan is due monthly at a per annum rate equal to the Secured Overnight Financing Rate (SOFR) plus 2.65 percent on the unpaid principal balance. Interest on the Milwaukee equipment loan is due monthly at a per annum rate equal to SOFR or 0.00 percent, whichever is greater, plus 2.65 percent on the unpaid principal balance. The effective interest rate for year ended September 30, 2023 was 7.98 percent.

On August 17, 2022, DWIHN entered into a construction loan and an equipment loan with a financial institution for funding of the renovations of the Woodward Ave. Admin Office (the "Woodward loans"). The Woodward loans include a construction loan (the "Woodward construction loan"), with available draws up to \$11.4 million, and an equipment loan (the "Woodward equipment loan"), with available draws up to \$960,000. The conversion date for the Woodward loans was originally February 17, 2024, at which point the Woodward loans were to convert from a draw-to loan to an amortizing term loan for the remaining 42-month term. Subsequent to year end, the financial institution extended the conversion date to May 14, 2024. At the point of conversion, principal payments on the Woodward construction loan will be due monthly to be paid on a 20-year amortization period, with the remaining principal due in full on August 15, 2027. At the point of conversion, principal payments on the Woodward equipment loan will be due monthly to be paid on a 5-year amortization period, with the remaining principal due in full on August 17, 2027.

Interest on the Woodward construction loan is due monthly at a per annum rate equal to the SOFR plus 2.65 percent on the unpaid principal balance. Interest on the Woodward equipment loan is due monthly at a per annum rate equal to the SOFR or 0.00 percent, whichever is greater, plus 2.65 percent on the unpaid principal balance. The effective interest rate for year ended September 30, 2023 was 7.98 percent.

During the year ended September 30, 2023, there was \$7,124,916 and \$5,174,937 of draws on the Woodward construction loans and Milwaukee construction loans, respectively. Total construction loans outstanding as of September 30, 2023 total \$12,299,853. There were no draws on the Woodward equipment loans and Milwaukee equipment loans.

September 30, 2023

Note 7 - Long-term Debt (Continued)

As of September 30, 2023, DWIHN's long-term debt was as follows:

	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings and direct placements - General obligations	\$7,447-\$3,296,814	\$ 4,962,653	\$ -	\$ 4,962,653	\$ -	\$ -
Accumulated compensated absences		1,739,306	2,259,887	1,879,213	2,119,980	2,119,980
Direct borrowing and direct placements - Woodward construction loan	N/A	-	7,124,916	-	7,124,916	-
Direct borrowing and direct placements - Milwaukee construction loan	N/A	-	5,174,937	-	5,174,937	-
Total		\$ 6,701,959	\$ 14,559,740	\$ 6,841,866	\$ 14,419,833	\$ 2,119,980

Note 8 - Defined Contributions Pension Plan

DW IHN provides pension benefits to all of its full-time employees through a defined contribution plan administered by the Michigan Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to contribute. The plan provides for the employee to contribute up to a 2 percent pretax contribution and up to an 8 percent employer match. Union employees are fully vested after three years of service, and employees at will are fully vested after one year of service.

The employee and employer contributions for the defined contribution plan were \$577,792 and \$2,312,596, respectively, for the year ended September 30, 2023.

Note 9 - Risk Management and Contingent Liabilities

Amounts received or receivable from grantor/contract agencies are subject to audit and potential adjustment by those agencies, principally the state and federal governments. As described in Note 2, DWIHN receives the majority of its funding through MDHHS. MDHHS uses a compliance examination and cost settlement process to determine disallowed costs and final receivable and payable balances of DWIHN. Historically, the cost settlement process has taken two or more years for MDHHS to complete. Any disallowed costs, including amounts already collected, may constitute a liability of DWIHN. The amount, if any, of costs that may be disallowed by the grantor or contract agencies cannot be determined at this time, although DWIHN expects such amounts, if any, to be immaterial.

DW IHN is periodically a defendant in various lawsuits, pending or threatened, in which the outcome is not presently determinable. In addition, DWIHN is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. DWIHN has purchased commercial insurance policies to cover property, torts, employee injuries, and medical benefits. Accruals for claims, litigation, and assessments are recorded by DWIHN when those amounts are estimable and probable at year end.

Other Supplementary Information

Statement of Revenue, Expenses, and Changes in Net Position
Budgetary Comparison
Year Ended September 30, 2023

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget - favorable (unfavorable)
Operating Revenue				
State grant and contracts	\$ 893,479,896	\$ 986,693,240	\$ 1,018,858,939	\$ 32,165,699
Other operating revenue	9,926,123	9,926,123	15,777,157	5,851,034
Local grants and contracts	21,967,986	28,450,968	30,118,703	1,667,735
Federal grants and contracts	21,998,693	31,560,996	26,941,323	(4,619,673)
Total operating revenue	947,372,698	1,056,631,327	1,091,696,122	35,064,795
Operating Expenses				
Personnel	\$ 26,578,700	\$ 26,623,500	\$ 27,137,618	\$ (514,118)
Fringe benefits	10,243,981	10,261,632	9,718,434	543,198
Substance use disorder services	67,601,056	69,281,508	68,574,814	706,694
Autism services	68,989,467	82,151,734	91,473,656	(9,321,922)
MI Health Link	9,876,123	9,876,123	14,965,115	(5,088,992)
Adult services	279,483,637	335,171,858	344,927,460	(9,755,602)
Children services	86,501,395	76,353,171	71,832,025	4,521,146
Care center	918,586	5,417,746	1,400,587	4,017,159
Intellectually disabled	359,090,749	397,459,320	392,809,948	4,649,372
Grant programs	10,613,430	11,145,471	7,806,400	3,339,071
State of Michigan	18,830,100	18,830,100	17,248,765	1,581,335
Operating costs	7,318,682	7,318,683	7,276,258	42,425
Depreciation	1,766,792	1,766,792	1,080,253	686,539
Total expenses	947,812,698	1,051,657,638	1,056,251,333	(4,593,695)
Operating (Loss) Income	(440,000)	4,973,689	35,444,789	30,471,100
Nonoperating Revenue (Expense)				
Investment income	1,000,000	1,000,000	5,145,125	4,145,125
Capital contribution	-	-	798,000	
Interest paid on debt	(560,000)	(560,000)	(443,640)	116,360
Total nonoperating revenue	440,000	440,000	5,499,485	4,261,485
Change in Net Position	\$ -	\$ 5,413,689	\$ 40,944,274	\$ 34,732,585