



Detroit Wayne Integrated Health Network

**Financial Report
with Supplemental Information
September 30, 2022**

Detroit Wayne Integrated Health Network

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March 17, 2023

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, 2022 along with the Independent Auditors Report. This report is prepared for the purposes 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.

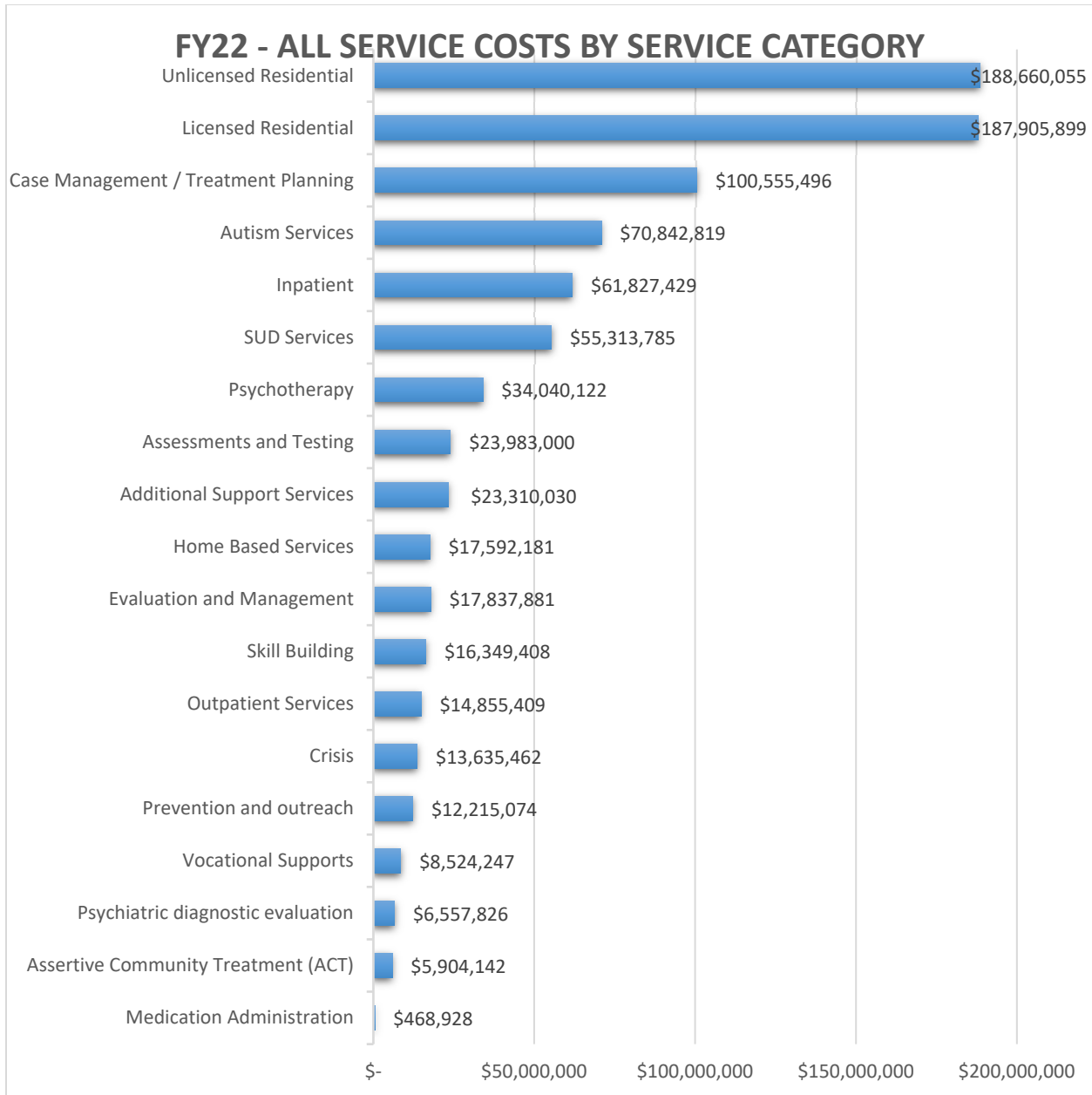
DWIHN has prepared its financial reporting requirements as prescribed by the GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, 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 seventy thousand (70,000) consumers 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 620 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 FY22:

TRANSMITTAL LETTER

<i>Population by Race</i>	<i>Population</i>	<i>Percentage</i>
Black/African American	42,746	54%
White	24,177	30%
Arab American	1,320	2%
Other races	8,335	10%
Unreported	2,942	4%
<i>Population by Service Area</i>		<i>Percentage</i>
Detroit	38,608	51%
Out-County	37,290	49%
<i>Population by Age</i>	<i>Population</i>	<i>Percentage</i>
Children (under 18)	17,776	22%
Adults (18-21)	4,000	5%
Adults (22-50)	34,273	45%
Adults (51-64)	15,873	20%
Adults (over 65)	5,906	8%
<i>By Disability Designation</i>	<i>Population</i>	<i>Percentage</i>
Adults with MI	46,694	65%
Children with SED	13,030	18%
Individuals with an I/DD	11,941	17%
SUD -Served (co-occurring with other populations)	16,673	
<i>Insurance</i>	<i>Consumers</i>	<i>Percentage</i>
Medicaid	49,129	60%
Healthy Michigan Plan	19,438	24%
General Fund/Spend-down	7,346	9%
MiHealthLink	5,874	7%



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

Angelo Glenn, Chairperson
Kenya Ruth, Vice-Chairperson
Dora Brown, Treasurer
Dr. Cynthia Tauveg, Secretary
Dorothy Burrell
Dr. Lynn Carter
Eva Garza Dewaelsche
Jonathan C. Kinloch
Kevin McNamara
Bernard Parker
William Phillips

**DWIHN Substance Use
Oversight Policy Board**

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Maria Avilla
Thomas Fielder
Angelo Glenn
Jonathan C. Kinloch
Margo Martin
Kevin McNamara
Jim Perry
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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.

Threats to the Behavioral Health System

Update on Proposed Legislation

The long fight for Senate Bill 597 and Senate Bill 598, sponsored by Sen. Shirkey (R) and Sen. John Bizon (R), was finally brought to the Senate floor and promptly rejected in a bipartisan vote. The bills were tied into a separate supplemental bill that would have given Michigan's mental health system more than \$560 million. The initiative proposed by Representative Whiteford never came to fruition as a bill and was pulled from the House floor.

Workforce Shortage Crisis

The Michigan workforce shortage, also known "The Great Resignation", continued throughout the fiscal year. Many believe the pandemic, unemployment benefits that surpassed minimum wage, an increase in persons pursuing entrepreneurship opportunities, and the increase in demand for work from home jobs, has caused the crisis. These factors have led to a shortage in clinical workers across the State of Michigan and many of DWIHN's provider network have experienced significant challenges in retaining and recruiting qualified staff. DWIHN continued to provide financial support to the provider network which included but were not limited to: A ten percent (10%) across the board rate increase for most fee for service codes; financial stability and retention payments.

Major Initiatives and Achievements

Breaking Ground of the First Care Center

In June 2022, DWIHN begin the construction of its first comprehensive crisis care center (Care Center) located at the former DWIHN administrative headquarters on Milwaukee Street in the City of Detroit. The Care Center will offer a full array of children and adult crisis intervention and stabilization services in addition to fifteen (15) adult crisis residential beds. The estimated completion date is in the fall of 2023.

"Putting Children First" Initiative

Putting Children First Initiative started January 2022 with 4 main goals: 1) ACCESS: Increase access to services for children and youth, 2) PREVENTION: Provide early prevention opportunities for children and youth, 3) CRISIS: Ensure crisis services are available to children when needed; and 4) TREATMENT: Provide quality services to children and youth.

Over seventeen thousand six hundred (17,600) children, youth, and families received community mental health services during fiscal year 2022. This included approximately eleven thousand nine hundred (11,900) children with serious emotional disturbances and five thousand seven hundred (5,700) children with intellectual developmental disabilities. The "Putting Children First Initiative" accomplishments include but are not limited to:

- Began a pilot with DHHS North Central Office to receive trauma screenings for youth ages 0 to 6 and have community mental health screenings completed with DWIHN Access Department.
- Partnered with Wayne County RESA to develop a return to school letter and safety plan for when students see a mental health professional prior to returning back to school.
- Workforce Development hosted School Violence Trainings.
- Children's Initiative Department hosted the Chemistry Workshop with Hermeneutist at the Considine Building in Detroit for youth grades K-12. Youth learned entrepreneurship skills and created self-care products.

- Fatherhood Initiative and Youth United partnered to host the first Movie Night; in which, families went to Emagine Theatre to see Buzz Lightyear.
- Eleven (11) children providers participated in the SED Value Based Incentive this year to receive additional funds for meeting MDHHS Performance Indicators and home-based service hours.
- Sexual Orientation Gender Identity Expression (SOGIE) languages was incorporated into the Integrated Biopsychosocial Assessment electronic health record. In addition, Ruth Ellis hosted four (4) trainings on SOGIE that included over one hundred DWIHN staff.
- Participated in a panel discussion for mental health awareness for Wayne County Community College students and a panel discussion for high school students involved in the Biomedical Career Advancement Program (BCAP).
- Reduced administrative burden for children providers by streamlining CAFAS / PECFAS reporting.

Diversity, Equity and Inclusion

DWVHN formed its first ever Diversity Equity and Inclusion (DEI) committee to discuss the importance and value of inclusion throughout the workplace. Members were selected throughout the organization in various departments to create a supportive and welcoming workplace environment where employees can work together. The DWVHN’s DEI newsletter I.D.E.A.’s was also implemented; this publication is sent out monthly to discuss different diversity topics and highlight members DEI events in the organization. A DEI page was created on the official DWVHN website to seek employee insights and highlight diverse voices. In 2022, DWVHN was awarded Corp! Magazine Overall Diversity Champion Award. DWVHN also partnered with the National Disability Institute on Disability/Diversity/Financial Empowerment and Wayne State University on Black Health & Racial Equity Symposium; topics included implicit bias, structural racism & health outcomes and the digital divide.

Jail Diversion Initiatives

The overall goal of the Jail Diversion initiatives is to improve the city’s response to individuals experiencing mental health crises and to prevent future crises by connecting them early on to supportive services.

The Detroit Wayne Crisis Intervention Team (CIT) trained one hundred eighty-four (184) first responders and one hundred (100) call takers and dispatchers across the state. The team also assisted Jackson County, Ottawa County, and Genesee County with the launching of their CIT programs.

During fiscal year 2022, Behavioral Health Specialists (BHS) were embedded within Detroit’s 911 Communication Center. The BHS assisted with mental health-related non-violent calls, connecting individuals to appropriate social and mental health resources. The behavioral health specialists embedded within Detroit Police Department and Southgate Police Department encountered over thirty-five hundred (3,500) individuals; approximately one thousand (1,000) were connected to a service, and eleven hundred (1,100) of these individuals received follow-up communication and support from co-response.

The Detroit Homeless Outreach Team (DHOT) reported over six thousand (6,000) encounters with people in need of relocation, housing, and or behavioral health support. These services are currently only offered in select target areas in Detroit.

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 2CFR 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, 2022. DWIHN paid out approximately \$41.8 million to over fifteen thousand (15,000) full and part time clinical and administrative employees in the Wayne County provider network. In addition, DWIHN paid out \$25.9 million in additional payments to residential, adult and children CRSPs, Autism, Skill Building, and SUD providers to stabilize the network due to reduced revenue 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, 2022 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, 2022 and the changes in its financial position and its cash flows 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 Detroit Wayne Integrated Health Network'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 Supplemental 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 supplemental 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.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the budgetary comparison schedule and transmittal letter but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the Board of Directors
Detroit Wayne Integrated Health Network

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023 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.

Plante & Moran, PLLC

March 17, 2023

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 ended September 30, 2022. 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	\$157,343,487
Change in total net position	\$24,557,711
Installment debt outstanding	\$4,962,653
Liquidity ratio	1.23

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 through contracts 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 extended to December 31, 2023. 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 over time as a useful indicator of an organizations financial position. The following depicts DWIHN's net position at September 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 315,879,992	\$ 301,551,635
Noncurrent assets	78,154,371	23,726,757
Capital assets, net	<u>19,098,399</u>	<u>12,960,459</u>
Total Assets	413,132,762	338,238,851
Current liabilities	255,789,275	200,491,468
Notes Payable	<u>-</u>	<u>4,961,607</u>
Total Liabilities	255,789,275	205,453,075
Net position:		
Invested in capital assets, net of related debt	14,135,746	7,725,221
Restricted	92,300,609	66,177,165
Unrestricted	<u>50,907,132</u>	<u>58,883,390</u>
Total net position	<u>\$ 157,343,487</u>	<u>\$ 132,785,776</u>

DWIHN current assets comprise of \$276.4 million in cash and investments held at five (5) financial institutions. In addition, approximately \$27.9 million due from the federal and state government for federal and state revenue outstanding at year end. Non-current assets consist of \$55.0 million in investments held with investment managers and \$23.2 million for collateralized construction loans related to the administrative building and new care center. Capital assets primarily relate to the acquisition of the administration building, furniture and computer equipment and construction in process of the care center.

Current liabilities comprise of \$183.4 million in accounts payable due to providers and vendors for services rendered but unpaid at year end. Approximately \$21.2 million is due to other governments related primarily to the direct care wage hazard pay cost settlement and Federal Office of Inspector General death audit recoupment. In addition, \$4.8 million in related to accrued employee wages and compensated absences. Lastly, approximately \$40.0 million for unearned revenue relate to the Healthy Michigan Plan savings and State General Fund carryover.

Restricted net position comprises \$7.8 million in PA2 funds held for substance use disorders, \$23.2 million in cash collateral related to the construction loans, and \$61.3 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 serve to report the cumulative revenue and expenses received and/or incurred for the organization.

	2022	2021
Revenues		
Federal grants and contracts	\$ 24,192,930	\$ 17,995,040
State grants and contracts	934,723,254	874,168,508
Local grants and contracts	28,596,978	28,270,640
Charges for services	21,439,480	7,560,547
Interest revenue	-	301,860
Other revenue	7,220	1,709,471
	1,008,959,862	930,006,066
Expenses		
Mental health operating	42,122,959	38,306,349
Substance use disorders	57,627,494	44,357,162
Autism services	74,833,930	61,747,159
MI HealthLink	13,979,825	11,853,276
Adult services	316,121,655	283,375,111
Children services	72,391,031	69,262,742
Intellectually Disabled	376,610,520	330,988,348
Grant programs	9,539,525	6,039,389
State of Michigan	18,795,727	19,133,166
Investment losses	2,186,509	-
Interest paid on debt	192,976	204,832
	984,402,151	865,267,534
Total expenses	984,402,151	865,267,534
Change in Net Position	24,557,711	64,738,532
Net position - beginning of year	132,785,776	68,047,244
Net position - end of year	\$ 157,343,487	\$ 132,785,776

State grants and contracts comprise of \$748.1 million, \$147.4 million, and \$27.5 million in Medicaid, Healthy Michigan and State General fund, respectively, including prior year savings and carryover. The \$60.5 million increase in State grants and contract revenue compared to prior year primarily relates to an increase in Medicaid 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; the pilot was extended to December 31, 2023.

DWIHN operating expenses comprise of salaries and fringe benefits for DWIHN staff (\$35.1 million), depreciation expense (\$1.0 million), and the Electronic Medical Record (EMR) system (\$1.4 million). The \$3.8 million increase in operating costs as compared to prior year is primarily related to a \$1.9 million increase in accrued wages and compensated absences.

Overall provider costs increased as compared to prior year due to DWIHN implementing an overall ten percent (10%) rate increase for fee for service codes. Substance Use Disorders services comprise of all

services and funding sources related to the treatment and prevention of persons with substance use disorders in Wayne County. The \$13.2 million increase in services primarily relates to an increase in services utilization as the system recovers from the pandemic. In addition, DWIHN provided additional provider stability payments compared to prior year. Autism services comprise of all services related to the treatment of children 0-21 years of age that qualified for the enhanced benefit. The \$13.1 million increase in services primarily relate to financial stability payments to certain qualified providers in addition to increased service utilization compared to prior year. Adult services comprise of treatment and prevention services with our Clinically Responsible Service Providers (CRSP), inpatient hospital costs, consumers in the Wayne County Jail, hospital rate adjustment, and the COPE contract. The \$32.7 million increase in costs result from financial stability payments to certain qualified providers and increased utilization as the system recovers from the pandemic.

Children services comprise of all services related to the treatment and prevention of children with serious emotional disturbance (SED) administered by the children's CRSP, school-based initiatives, and summer youth employment programs. The modest increase in the program costs are primarily related to the 10% rate adjustment offset by continued reductions in service utilization. Intellectually Developmentally Disabled (IDD) services comprise of all treatment services administered through the CRSP, including services administered through Community Living Services for self-directed consumers, and residential services. The \$45.7 million increase is primarily related to 10% rate adjustment.

Payments to the State of Michigan totaled \$18.8 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	\$ 26,493,046	\$ 24,192,930	\$ (2,300,116)
State grants and contracts	914,244,666	934,723,254	20,478,588
Local grants and contracts	21,967,986	28,596,978	6,628,992
Charges for services	9,926,123	21,439,480	11,513,357
Total operating revenues	972,631,821	1,008,952,642	36,320,821
Operating expenses			
Salaries and fringes	\$ 35,428,382	35,150,483	(277,899)
Substance use disorders	53,551,055	57,627,494	4,076,439
Autism services	71,224,235	74,833,930	3,609,695
MI HealthLink	9,876,123	13,979,825	4,103,702
Adult services	295,959,424	316,121,655	20,162,231
Children services	85,486,364	72,391,031	(13,095,333)
Intellectually Disabled	378,866,668	376,610,520	(2,256,148)
Grant programs	13,849,130	9,539,525	(4,309,605)
State of Michigan	19,830,188	18,795,727	(1,034,461)
Operating costs	7,533,460	5,955,386	(1,578,074)
Depreciation	1,766,792	1,017,090	(749,702)
Total operating expenses	\$ 973,371,821	\$ 982,022,666	8,650,845
Operating income (loss)	(740,000)	26,929,976	27,669,976
Non-operating revenue (expense)			
Interest expense	(260,000)	(192,976)	67,024
Gain on sale of assets	-	7,220	7,220
Investment earnings (loss)	1,000,000	(2,186,509)	(3,186,509)
Total non-operating revenue	740,000	(2,372,265)	(3,112,265)
Change in net position	\$ -	24,557,711	\$ 24,557,711
Net position - beginning of year		132,785,776	
Net position - end of year		\$ 157,343,487	

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	\$ 25,031,957	\$ 26,493,046	\$ 1,461,089
State grants and contracts	849,130,904	914,244,666	65,113,762
Local grants and contracts	22,089,636	21,967,986	(121,650)
Other operating revenue	9,926,123	9,926,123	-
Total operating revenues	<u>906,178,620</u>	<u>972,631,821</u>	<u>66,453,201</u>
Salaries and related fringes	\$ 34,726,927	\$ 35,428,382	\$ 701,455
Substance use disorders	57,243,781	53,551,055	(3,692,726)
Autism services	69,562,554	71,224,235	1,661,681
MI HealthLink	9,681,012	9,876,123	195,111
Adult Services	270,843,514	295,959,424	25,115,910
Children Services	74,518,243	85,486,364	10,968,121
Intellectually Disabled	351,633,620	378,866,668	27,233,048
Grant Programs	9,610,582	13,849,130	4,238,548
State of Michigan	19,830,188	19,830,188	-
Operating costs	7,501,407	7,533,460	32,053
Depreciation	1,766,792	1,766,792	-
Total operating expenses	<u>\$ 906,918,620</u>	<u>\$ 973,371,821</u>	<u>\$ 66,453,201</u>
Nonoperating Revenue (expense)			
Interest paid on debt	(260,000)	(260,000)	-
Investment earnings	1,000,000	1,000,000	-
	<u>740,000</u>	<u>740,000</u>	<u>-</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The \$53.2 million budget adjustment to state grants and contracts relates to an increase in Medicaid funding received from the State of Michigan. In addition, \$11.5 million budget adjustment for the Certified Community Behavioral Health Clinic (CCBHC) supplemental funding received from the State of Michigan to cover expenses in excess of the fee for service payments.

Economic Factors and Next Year's Budget

- On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. While the COVID-19 pandemic could have an adverse effect on DWIHN's operations over time, no impairments were recorded as of the statement of net position date, as no triggering events or changes in circumstances had occurred as of year-end.
- The Public Health Emergency (PHE) is set to end within the next few months. There is much uncertainty on the impact as thousands of Michiganders will lose their Medicaid. PIHP's are paid a capitated rate based on the number of eligible Medicaid enrollees that may have a significant impact on Medicaid revenue.
- 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 over five years; FY22 was the fifth year of the plan. The Governor's FY21 recommended budget included the workgroups recommendation; however, the legislation provided a \$5 million supplemental that lessened the reduction and provided a short-term reprieve. The Public Health Emergency, which is set to expire in April 2023, provided a significant reprieve however the future of DWIHN's general fund is unknown at this time.
- DWIHN's provider network is experiencing staff shortages and capacity issues. The combination of the pandemic and overall shortage of clinicians in the State of Michigan has resulted in delays in service provision and increased burnout due to higher caseloads. Staff report that documentation requirements at the CMHSP level and higher paying jobs with health plans and hospitals are a driving force for leaving the CMHSP provider network. MDHHS has formed several initiatives and workgroups to address the statewide issue. As funding permits, DWIHN will continue to offer financial stability payments, value-based incentives and retention payments to the provider network to assist in the recruiting efforts.

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, 2022

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 260,427,753
Investments (Note 3)	15,973,057
Receivables: (Note 5)	
Accounts receivable	8,315,014
Due from other governmental units	30,391,512
Prepaid expenses and other assets	772,656

Total current assets 315,879,992

Noncurrent assets:

Restricted cash (Note 2)	23,188,932
Investments (Note 3)	54,965,439
Capital assets: (Note 6)	
Assets not subject to depreciation	8,374,083
Assets subject to depreciation - Net	10,724,316

Total noncurrent assets 97,252,770

Total assets 413,132,762

Liabilities

Current liabilities:

Accounts payable	183,362,675
Due to other governmental units	21,161,231
Accrued wages and benefits	3,060,045
Unearned revenue	41,503,365
Compensated absences (Note 7)	1,739,306
Current portion of long-term debt (Note 7)	4,962,653

Total liabilities 255,789,275

Net Position

Net investment in capital assets 14,135,746

Restricted:

Restricted for substance abuse disorder PA2	7,833,972
Restricted for risk financing - Medicaid ISF	61,277,705
Restricted cash collateral	23,188,932

Unrestricted 50,907,132

Total net position \$ 157,343,487

Detroit Wayne Integrated Health Network

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2022

Operating Revenue

State grants and contracts	\$ 934,723,254
Charges for services	21,439,480
Local grants and contracts	28,596,978
Federal grants and contracts	24,192,930

Total operating revenue 1,008,952,642

Operating Expenses

Personnel	25,985,411
Fringe benefits	9,165,069
Substance use disorder services	57,627,494
Autism services	74,833,930
MI Health Link	13,979,825
Adult services	316,121,655
Children services	72,391,031
Intellectually disabled	376,610,520
Grant programs	9,539,525
State of Michigan	18,795,727
Operating costs	5,955,389
Depreciation	1,017,090

Total operating expenses 982,022,666

Operating Income

26,929,976

Nonoperating (Expense) Revenue

Investment loss	(2,186,509)
Gain on sale of asset	7,220
Interest expense	(192,976)

Total nonoperating expense (2,372,265)

Change in Net Position

24,557,711

Net Position - Beginning of year

132,785,776

Net Position - End of year

\$ 157,343,487

Detroit Wayne Integrated Health Network

Statement of Cash Flows

Year Ended September 30, 2022

Cash Flows from Operating Activities

Cash received from state and federal sources	\$ 972,884,447
Cash received from local sources	18,797,121
Payments to providers and suppliers	(886,617,295)
Payments to employees	<u>(37,455,000)</u>
Net cash and cash equivalents provided by operating activities	67,609,273

Cash Flows from Capital and Related Financing Activities

Net purchase of capital assets	(7,147,810)
Principal and interest paid on capital debt	<u>(465,561)</u>
Net cash and cash equivalents used in capital and related financing activities	(7,613,371)

Cash Flows from Investing Activities

Investment loss	(2,186,509)
Purchases of investment securities - Net of sales	<u>(43,093,468)</u>
Net cash and cash equivalents used in investing activities	<u>(45,279,977)</u>

Net Increase in Cash and Cash Equivalents

14,715,925

Cash and Cash Equivalents - Beginning of year

268,900,760

Cash and Cash Equivalents - End of year

\$ 283,616,685

Classification of Cash and Cash Equivalents

Cash and investments	\$ 260,427,753
Restricted cash	<u>23,188,932</u>
Total cash and cash equivalents	<u>\$ 283,616,685</u>

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

Operating income	\$ 26,929,976
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:	
Depreciation	1,017,090
Changes in assets and liabilities:	
Account receivable	(10,034,192)
Due from other governmental units	(3,895,120)
Prepaid and other assets	(397,260)
Accrued wages and benefits	1,934,825
Accounts payable	51,672,133
Accrued wages and compensated absences	<u>381,821</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 67,609,273</u>

Significant Noncash Transactions - ICO contract liability reduction in the current year

\$ 10,154,819

September 30, 2022

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 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 350 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.

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, 2022 was \$61,277,705.

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 \$23,188,932 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 \$40.2 million of retention payments and \$26 million in provider financial stability payments, which will be paid to providers. Due to other governmental units represents amounts owed to the State of Michigan.

September 30, 2022

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. Unearned revenue includes amounts totaling \$41,503,365 of MDHHS contract funding for Healthy Michigan saving and General Fund carryover that was unearned at September 30, 2022 and 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 \$894.5 million and \$27.5 million, respectively, for the year ended September 30, 2022; 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 March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange on exchange-like transaction. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2023.

September 30, 2022

Note 2 - Significant Accounting Policies (Continued)

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. DWIHN is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2023.

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 17, 2023, 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.

DWIHN has designated three 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. DWIHN's deposits and investment policies are in accordance with statutory authority.

DWIHN'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, DWIHN's deposits may not be returned to it. At year end, DWIHN had bank deposits totaling approximately \$334,000,000 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. DWIHN 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. As a result, DWIHN evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

September 30, 2022

Note 3 - Deposits and Investments (Continued)

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. DWIHN'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.

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

Investment	Carrying Value	Less Than 1 Year	1-5 Years
Municipal obligations	\$ 12,074,804	\$ 2,894,169	\$ 9,180,635
U.S. federal agencies	30,085,599	3,832,418	26,253,181
U.S. government obligations	18,787,687	2,543,189	16,244,498
Negotiable certificates of deposit	980,765	-	980,765
Collateralized mortgage obligations	8,794,403	6,488,043	2,306,360
Mortgage-backed securities	215,238	215,238	-
Total	<u>\$ 70,938,496</u>	<u>\$ 15,973,057</u>	<u>\$ 54,965,439</u>

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	\$ 12,074,804	Aa1	Moody's
U.S. federal agencies	30,085,599	Aaa	Moody's
U.S. government obligations	18,787,687	Aaa	Moody's
Negotiable certificates of deposit	980,765	N/R	N/A
Collateralized mortgage obligations	8,794,403	Aaa	Moody's
Mortgage-backed securities	215,238	N/R	N/A
Total	<u>\$ 70,938,496</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. At September 30, 2022, DWIHN had all investments held in various certificates of deposit and other securities.

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.

September 30, 2022

Note 4 - Fair Value Measurements (Continued)

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, 2022:

	<u>Assets Measured at Fair Value on a Recurring Basis</u>		
	<u>Quoted Prices in</u>		
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets			
Debt securities:			
Municipal obligations	\$ -	\$ 12,074,804	\$ -
U.S. federal agencies	-	30,085,599	-
U.S. government obligations	-	18,787,687	-
Negotiable certificates of deposit	-	980,765	-
Collateralized mortgage obligations	-	8,794,403	-
Mortgage-backed securities	-	215,238	-
	<u>-</u>	<u>70,938,496</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 70,938,496</u>	<u>\$ -</u>

The fair value of DWIHN's investments at September 30, 2022 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, 2022 was approximately \$8,315,000, which is due from certain providers for cost settlements.

The due from other governmental units balance at September 30, 2022 was approximately \$30,392,000. This consists of approximately \$2,285,000 due from Wayne County, Michigan for Public Act 2 funds, approximately \$27,713,000 due from the State of Michigan, and approximately \$394,000 due from the federal government.

September 30, 2022

Note 6 - Capital Assets

Capital asset activity of DWIHN was as follows:

Business-type Activities

	Balance October 1, 2021	Additions	Disposals and Adjustments	Balance September 30, 2022
Capital assets not being depreciated:				
Land	\$ 840,000	\$ -	\$ -	\$ 840,000
Construction in progress	1,092,169	6,441,914	-	7,534,083
Subtotal	1,932,169	6,441,914	-	8,374,083
Capital assets being depreciated:				
Buildings and improvements	13,349,921	-	-	13,349,921
Computers	1,590,334	-	-	1,590,334
Vehicles	5,806	-	-	5,806
Office equipment	1,674,567	-	(215,360)	1,459,207
Software	2,773,515	713,116	-	3,486,631
Subtotal	19,394,143	713,116	(215,360)	19,891,899
Accumulated depreciation:				
Buildings and improvements	3,441,094	667,496	-	4,108,590
Computers	1,236,207	137,111	-	1,373,318
Office equipment	1,543,153	44,592	(215,360)	1,372,385
Software	2,145,399	167,891	-	2,313,290
Subtotal	8,365,853	1,017,090	(215,360)	9,167,583
Net capital assets being depreciated	11,028,290	(303,974)	-	10,724,316
Net capital assets	<u>\$ 12,960,459</u>	<u>\$ 6,137,940</u>	<u>\$ -</u>	<u>\$ 19,098,399</u>

Construction Commitments

DW IHN 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, DW IHN's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Milwaukee Ave. Care Center Renovations	\$ 2,800,000	\$ 9,700,000
Woodward Ave. Admin Office Relocation and Renovation	2,200,000	11,800,000
Total	<u>\$ 5,000,000</u>	<u>\$ 21,500,000</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. The construction note payable matures on April 10, 2023, and the term loan matures on June 10, 2023. 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 loans is February 17, 2024, at which point the Milwaukee loans are converted from a draw-to loan to an amortizing term loan for the remaining 42-month term. 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.

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 is February 17, 2024, at which point the Woodward loans are converted from a draw-to loan to an amortizing term loan for the remaining 42-month term. 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.

There were no draws on the Woodward loans or Milwaukee loans at September 30, 2022.

As of September 30, 2022, DWIHN's long-term debt was as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings and direct placements - General obligations	3.3%-3.9%	\$7,447-\$3,296,814	\$ 5,235,238	\$ -	\$ 272,585	\$ 4,962,653	\$ 4,962,653
Accumulated compensated absences			1,357,486	1,856,032	1,474,212	1,739,306	1,739,306
Total			<u>\$ 6,592,724</u>	<u>\$ 1,856,032</u>	<u>\$ 1,746,797</u>	<u>\$ 6,701,959</u>	<u>\$ 6,701,959</u>

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above liability are as follows:

Year Ending September 30	Principal	Interest	Total
2023	\$ 4,962,653	\$ 115,170	\$ 5,077,823

The Milwaukee and Woodward loans require certain financial covenants and reporting requirements. DWIHN was in compliance with these requirements for the year ended September 30, 2022.

Note 8 - Defined Contributions Pension Plan

DWVHN 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 \$499,937 and \$1,999,800, respectively, for the year ended September 30, 2022.

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, DWVHN 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 DWVHN. 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 DWVHN. The amount, if any, of costs that may be disallowed by the grantor or contract agencies cannot be determined at this time, although DWVHN expects such amounts, if any, to be immaterial.

DWVHN is periodically a defendant in various lawsuits, pending or threatened, in which the outcome is not presently determinable. In addition, DWVHN 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. DWVHN has purchased commercial insurance policies to cover property, torts, employee injuries, and medical benefits. Accruals for claims, litigation, and assessments are recorded by DWVHN when those amounts are estimable and probable at year end.

Other Supplemental Information

Detroit Wayne Integrated Health Network

Other Supplemental Information

Statement of Revenue, Expenses, and Changes in Net Position Budgetary Comparison Year Ended September 30, 2022

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget - favorable (unfavorable)
Operating Revenue				
State grant and contracts	\$ 849,130,904	\$ 914,244,666	\$ 934,723,254	\$ 20,478,588
Charges for services	9,926,123	9,926,123	21,439,480	11,513,357
Local grants and contracts	22,089,636	21,967,986	28,596,978	6,628,992
Federal grants and contracts	25,031,957	26,493,046	24,192,930	(2,300,116)
Total operating revenue	906,178,620	972,631,821	1,008,952,642	36,320,821
Operating Expenses				
Personnel	\$ 24,804,948	\$ 25,648,321	\$ 25,985,411	\$ (337,090)
Fringe benefits	9,921,979	9,780,061	9,165,069	614,992
Substance use disorder services	57,243,781	53,551,055	57,627,494	(4,076,439)
Austism services	69,562,554	71,224,235	74,833,930	(3,609,695)
MI Health Link	9,681,012	9,876,123	13,979,825	(4,103,702)
Adult services	270,843,514	295,959,424	316,121,655	(20,162,231)
Children services	74,518,243	85,486,364	72,391,031	13,095,333
Intellectually disabled	351,633,620	378,866,668	376,610,520	2,256,148
Grant programs	9,610,582	13,849,130	9,539,525	4,309,605
State of Michigan	19,830,188	19,830,188	18,795,727	1,034,461
Operating costs	7,501,407	7,533,460	5,955,389	1,578,071
Depreciation	1,766,792	1,766,792	1,017,090	749,702
Total expenses	906,918,620	973,371,821	982,022,666	(8,650,845)
Operating (Loss) Income	(740,000)	(740,000)	26,929,976	27,669,976
Nonoperating Revenue (Expense)				
Investment income/loss	1,000,000	1,000,000	(2,186,509)	(3,186,509)
Gain/Loss on sale of assets	-	-	7,220	7,220
Interest paid on debt	(260,000)	(260,000)	(192,976)	67,024
Total nonoperating revenue	740,000	740,000	(2,372,265)	(3,112,265)
Change in Net Position	\$ -	\$ -	\$ 24,557,711	\$ 24,557,711