
The Guidance Center

Financial Report
September 30, 2025

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Independent Auditor's Report

To the Board of Directors
The Guidance Center

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of The Guidance Center (the "Organization"), which comprise the statement of financial position as of September 30, 2025 and 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025 and 2024 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits 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 audits 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
The Guidance Center

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 the Organization'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 the Organization'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2026 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



February 10, 2026

Statement of Financial Position

September 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 15,718,196	\$ 18,522,605
Investments (Note 10)	2,956,543	-
Accounts and grants receivable - Net (Note 3)	6,856,583	4,319,467
Prepaid expenses and other current assets	1,500,611	557,586
Due from affiliates (Note 4)	54,863	70,575
Contributions receivable	-	175,061
	27,086,796	23,645,294
Property and Equipment - Net (Note 5)	931,772	1,015,224
Right-of-use Operating Lease Assets (Note 12)	3,389,317	5,427,978
Finance Lease Assets (Note 12)	134,317	169,872
Investment in Joint Venture (Note 6)	3,050,002	3,045,499
Beneficial Interest in Community Foundation Endowment (Notes 9 and 10)	643,954	608,570
	8,149,362	10,267,143
Total noncurrent assets	8,149,362	10,267,143
Total assets	\$ 35,236,158	\$ 33,912,437
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 430,969	\$ 459,632
Deferred revenue	704	162,839
Accrued employee expenses	3,411,343	2,719,673
Current portion of lease liabilities - Operating (Note 12)	2,366,687	2,364,140
Current portion of lease liabilities - Finance (Note 12)	87,845	89,714
Lease Liabilities - Operating (Note 12)	1,004,057	2,981,114
Lease Liabilities - Finance (Note 12)	50,775	81,126
	7,352,380	8,858,238
Total liabilities	7,352,380	8,858,238
Net Assets		
Without donor restrictions:		
Undesignated	23,758,901	23,180,464
Board designated - Kids-TALK capital campaign (Note 2)	2,956,543	-
With donor restrictions (Note 2)	1,168,334	1,873,735
	27,883,778	25,054,199
Total net assets	27,883,778	25,054,199
Total liabilities and net assets	\$ 35,236,158	\$ 33,912,437

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2025 and 2024

	2025	2024
Changes in Net Assets without Donor Restrictions		
Support, revenue, and other:		
Mental health services	\$ 30,850,044	\$ 27,840,441
Early learning education	9,205,622	8,791,453
Intellectual and developmental disabilities and autism services	3,697,190	3,242,108
Juvenile justice services	2,458,414	3,905,285
Substance abuse services	2,179,565	1,944,464
Grants	2,192,915	2,551,133
Other revenue	2,567,893	2,725,917
Contributions	1,297,399	1,379,628
Change in beneficial interest of Community Foundation Endowment	35,384	80,050
Contributed nonfinancial assets	652,289	702,130
Investment income	727,747	815,505
Net assets released from restrictions	1,848,184	2,337,612
Total support, revenue, and other	57,712,646	56,315,726
Expenses:		
Program services	49,067,302	47,902,438
Administrative	7,315,896	6,719,881
Development costs	755,514	555,047
Total expenses	57,138,712	55,177,366
Increase in Net Assets without Donor Restrictions - Before Kids-TALK capital campaign	573,934	1,138,360
Contribution - Kids-TALK capital campaign	2,956,543	-
Increase in Net Assets without Donor Restrictions - Before equity gain (loss) on investment in joint venture	3,530,477	1,138,360
Equity Gain (Loss) on Investment in Joint Venture	4,503	(487,475)
Increase in Net Assets without Donor Restrictions	3,534,980	650,885
Changes in Net Assets with Donor Restrictions		
Contributions	1,142,783	1,281,316
Net assets released from restrictions	(1,848,184)	(2,337,612)
Decrease in Net Assets with Donor Restrictions	(705,401)	(1,056,296)
Increase (Decrease) in Net Assets	2,829,579	(405,411)
Net Assets - Beginning of year	25,054,199	25,459,610
Net Assets - End of year	\$ 27,883,778	\$ 25,054,199

Statement of Functional Expenses

Year Ended September 30, 2025

	Program Services	Administrative	Development Costs	Total
Salaries	\$ 28,529,673	\$ 4,241,516	\$ 296,413	\$ 33,067,602
Fringe benefits	10,182,160	1,481,125	137,591	11,800,876
Contractual services	1,409,841	13,031	77,170	1,500,042
Travel	422,978	32,559	1,382	456,919
Supplies	579,909	56,176	9,010	645,095
Occupancy costs	3,915,980	381,441	27,785	4,325,206
Equipment rental	206,954	15,119	1,803	223,876
Communication	315,662	44,170	6,172	366,004
Meals	331,737	25,729	5,803	363,269
Training	214,579	44,980	868	260,427
Purchased equipment	255,524	28,004	15	283,543
Depreciation	163,469	26,612	-	190,081
Data processing	620,664	95,249	10,306	726,219
Insurance	376,672	60,521	5,933	443,126
Audit and legal	-	160,813	-	160,813
Staff recruitment	131,149	78,778	-	209,927
Bad debt expense	710,200	-	-	710,200
Miscellaneous	700,151	530,073	175,263	1,405,487
Total functional expenses	<u>\$ 49,067,302</u>	<u>\$ 7,315,896</u>	<u>\$ 755,514</u>	<u>\$ 57,138,712</u>

Statement of Functional Expenses

Year Ended September 30, 2024

	Program Services	Administrative	Development Costs	Total
Salaries	\$ 28,532,447	\$ 3,851,854	\$ 269,649	\$ 32,653,950
Fringe benefits	9,428,617	1,309,581	122,210	10,860,408
Contractual services	1,595,319	60,124	5,000	1,660,443
Travel	425,064	23,237	1,150	449,451
Supplies	453,431	39,028	5,031	497,490
Occupancy costs	4,007,279	382,827	24,282	4,414,388
Equipment rental	160,968	57,655	107	218,730
Communication	348,788	43,662	9,441	401,891
Meals	436,874	14,214	5,805	456,893
Training	181,915	37,019	9,805	228,739
Purchased equipment	268,209	23,100	250	291,559
Depreciation	138,061	22,475	-	160,536
Data processing	590,921	99,083	13,869	703,873
Insurance	349,547	43,869	3,651	397,067
Audit and legal	-	151,829	-	151,829
Bad debt expense	385,717	-	-	385,717
Miscellaneous	599,281	560,324	84,797	1,244,402
Total functional expenses	\$ 47,902,438	\$ 6,719,881	\$ 555,047	\$ 55,177,366

Statement of Cash Flows

Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 2,829,579	\$ (405,411)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	190,081	160,536
Bad debt expense	710,200	385,717
Noncash lease expense	185,774	151,448
(Gain) loss on investment in joint venture	(4,503)	487,475
Change in beneficial interest in Community Foundation Endowment	(35,384)	(80,050)
Unrealized gain on investments	(1,543)	-
Changes in operating assets and liabilities that (used) provided cash:		
Accounts and other receivables	(3,247,316)	(880,823)
Contributions receivable	175,061	108,000
Prepaid expenses and other assets	(943,025)	115,817
Accounts payable and accrued expenses	(28,663)	(505,792)
Due from affiliates	15,712	134,450
Accrued employee expenses	691,670	92,162
Deferred revenue	(162,135)	158,726
Net cash provided by (used in) operating activities	375,508	(77,745)
Cash Flows from Investing Activities		
Purchase of property and equipment	(106,629)	(488,269)
Purchases of investments	(2,955,000)	-
Proceeds from PEAK Health investment	-	20,000
Net cash used in investing activities	(3,061,629)	(468,269)
Cash Flows Used in Financing Activities - Payments on finance leases	(118,288)	(112,099)
Net Decrease in Cash	(2,804,409)	(658,113)
Cash - Beginning of year	18,522,605	19,180,718
Cash - End of year	\$ 15,718,196	\$ 18,522,605

Note 1 - Nature of Business

The Guidance Center (the "Organization"), a not-for-profit organization established in 1958, is committed to providing comprehensive outpatient mental health, vocational, substance abuse, juvenile justice, early childhood intervention, and educational services to children, adults, and families for all of Wayne County, concentrating in the downriver communities. The Organization is a subsidiary of Guidance Center System, a not-for-profit organization.

The Organization is related to Southgate Properties (Properties). Properties is also a subsidiary of Guidance Center System.

The accompanying financial statements include only the financial information of the Organization. Additional related party information is found in Note 4.

Note 2 - Significant Accounting Policies

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Organization collectively evaluates receivables to determine the allowance for credit losses based on historical payment trends, write-off experience, and analyses of receivable by payer source and aging of receivables adjusted for current economic conditions and reasonable and supportable forecasts. The Organization considers its environment, factors specific to the borrowers, and macroeconomic trends when making adjustments for reasonable and supportable forecasts. In addition, a contractual valuation allowance is established for other accounts receivable based on historical payment experience. All amounts deemed to be uncollectible are charged against the allowance for credit losses and valuation allowance in the period that determination is made.

Contributions Receivable

Contributions receivable at year end consist of contributions designated by donors for organization programs. Receivables are expected to be collected within one year. As of September 30, 2025, there were no contributions receivable recorded. As of September 30, 2024, there was no allowance for uncollectible contributions recorded on the associated contribution receivable balances.

Property and Equipment

Property and equipment are recorded at cost when purchased or, if donated, at fair value at the date of donation. The Organization capitalizes assets when individual costs exceed \$5,000 and the useful life is greater than one year. Maintenance and repairs that neither materially add to the value of the property, nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Investments

Investments are made up of fixed-income certificates of deposit (with an original maturity of more than three months) as of September 30, 2025. These fixed-income investments are reported at fair value, with unrealized gains and losses included in earnings.

Leases

The Organization has operating and finance leases for building space, copiers, and vehicles. The Organization recognizes expense for operating and finance leases on a straight-line basis over the lease term. All payments are included in the calculation of the right-of-use asset and lease liability.

The Organization has operating leases for building space and various equipment rentals with a lease term of one year or less that the Organization elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

Note 2 - Significant Accounting Policies (Continued)

The Organization elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate.

The Organization made a policy election not to separate lease and nonlease components for operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

Investment in Joint Venture

Investment in joint venture is accounted for using the equity method. Under the equity method, the investment is carried at cost, adjusted for the Organization's proportionate share of undistributed earnings or losses. Impairment losses due to a decline in the value of the investment that is other than temporary are recognized when incurred. In the year ended September 30, 2025, no impairment losses were recognized. For 2024, the Organization recorded an impairment expense of \$80,000 related to its investment in PEAK Health.

Deferred Revenue

Deferred revenue is recorded for amounts received for services to be performed during subsequent years.

Classification of Net Assets

Net assets of the Organization are classified as either net assets without donor restrictions or net assets with donor restrictions. Net assets without donor restrictions are either unrestricted, board designated, or have had their donor-imposed restrictions met. Net assets with donor restrictions have a donor-imposed restriction placed on them that must be met before they become unrestricted.

During the year ended September 30, 2025, the Organization received an unrestricted contribution of \$2,955,000, which was subsequently board designated to establish the Kids-TALK capital campaign. Net assets without donor restrictions include board-designated amounts of \$2,956,543 for the Kids-TALK capital campaign as of September 30, 2025. There were no board-designated amounts as of September 30, 2024.

The Organization has interpreted donor restrictions to also include related earnings as restricted for the intended purpose of the original donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions.

Net assets with donor restrictions are made up of the following purpose restrictions: \$266,387 - Kids-TALK Children's Advocacy Center, \$550,000 - Bridgeway grants, and \$351,947 - other purpose-restricted contributions as of September 30, 2025 and \$16,517 - Kids-TALK Children's Advocacy Center, \$473,482 - Champions of Wayne, \$1,030,000 - Bridgeway grants, and \$353,736 - other purpose-restricted contributions as of September 30, 2024.

Grant Revenue

Grants receivable and revenue are stated at invoice amounts and consist primarily of government funding or pass-through government funding. Revenue is generated through contracts with various government and pass-through agencies to provide services outlined in the various contracts. Revenue from grant contracts totaled approximately \$13.2 million and \$12.5 million for the 2025 and 2024 fiscal years, respectively. Revenue for these contract services is earned and recognized based on the timing of the services provided or as reimbursement for expenses as they are incurred.

At September 30, 2025 and 2024, the Organization had remaining available award balances on federal conditional grants of \$3,527,882 and \$3,753,971, respectively. These award balances are not recognized as assets and will be recognized as revenue as the contract progresses and conditions are met, generally as expenses are incurred.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes revenue from exchange contracts as services are performed for the following revenue streams: mental health services, early learning education, intellectual and developmental disabilities and autism services, juvenile justice services, substance abuse services, and other revenue.

The Organization has contracts with Detroit Wayne Integrated Health Network, Medicaid, Medicare, private insurance, and self-pay. Revenue is recorded over time as services are provided based on the contracted rates per service.

On October 1, 2021, the Organization entered into a funding arrangement with the State of Michigan to become a Certified Community Behavioral Health Clinic (CCBHC) and provide behavioral health services to qualifying individuals. The contract provides a predetermined prospective payment system rate for each day, irrespective of the number of services received on a given day.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management believes that the Organization is in compliance with all applicable laws and regulations, and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusions from the Medicaid program.

The Organization invoices payors as services are performed based on their established contract amounts, type of service provided, and the payor.

For the years ended September 30, 2025 and 2024, the beginning balance of the Organization's accounts receivable related to behavioral health and case management services was \$3,563,894 and \$2,877,317, respectively.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions. Other contributions with donor restrictions are reported as net assets with donor restrictions.

Contributed Nonfinancial Assets and Donated Services

Certain donated items are recognized as support in the statement of activities and changes in net assets. Contributed nonfinancial assets are made up of donated rent of \$531,989 and \$660,260 and other nonfinancial assets of \$120,300 and \$41,870 as of September 30, 2025 and 2024, respectively. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Donated rent is composed of free rent for the Head Start program. The estimated fair value of the donated rent is based on current market rent expenses. The other contributed expenses consist of advertising, clothing, and other household items that are reported at estimated fair value for similar services performed and assets.

A number of volunteers have contributed their time to the activities of the Organization without compensation; however, these volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Expenses and support services that can be identified with a specific function are charged directly according to their natural classification. Other expenses that are common to several functions are allocated between the various program and support services on several bases and estimates, including on an FTE, square footage, or other basis. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 10, 2026, which is the date the financial statements were available to be issued.

Note 3 - Accounts Receivable

The following is the detail of accounts and grants receivable:

	2025	2024
Detroit Wayne Integrated Health Network	\$ 5,189,150	\$ 2,808,598
U.S. Department of Health and Human Services - Head Start	813,782	767,010
Other grants receivable	452,596	277,813
Medicare and Blue Cross	239,506	334,732
Other receivables	235,113	247,473
Bridgeway Services, Inc.	183,096	291,588
Private fees and insurance	167,753	180,297
Wayne County, Michigan	68,940	36,240
Michigan Children and Adult Care Food Program	41,922	38,481
Children's Waiver	8,036	3,808
Total accounts and grants receivable	7,399,894	4,986,040
Less allowance for credit losses and contractual allowances	(543,311)	(666,573)
Net accounts and grants receivable	\$ 6,856,583	\$ 4,319,467

Notes to Financial Statements

September 30, 2025 and 2024

Note 3 - Accounts Receivable (Continued)

The activity in the allowance for credit losses and contractual allowances is as follows:

	2025	2024
Balance - October 1	\$ 666,573	\$ 612,080
Provision for credit losses	160,738	284,000
Charge-offs	(284,000)	(229,507)
Balance - September 30	<u>\$ 543,311</u>	<u>\$ 666,573</u>

Note 4 - Related Party Transactions

The Organization incurs monthly communication, rent, utilities, insurance, and employee expenses for Southgate Properties, which are reimbursed to the Organization. The amounts of reimbursed costs for Southgate Properties were approximately \$589,000 and \$742,000 for the years ended September 30, 2025 and 2024, respectively, and are included in other revenue on the statement of activities and changes in net assets. For the years ended September 30, 2025 and 2024, the Organization received approximately \$336,000 and \$335,000, respectively, of building and maintenance services from Properties. As of September 30, 2025 and 2024, the net amount due from Properties was \$54,863 and \$70,575, respectively.

The Organization leases facilities from Properties under various agreements that expire on September 30, 2026, 2027, 2028, and 2029 and have required monthly rental payments totaling \$172,051. Rent expense totaled \$2,064,614 and \$1,956,831 for the years ended September 30, 2025 and 2024, respectively.

As of September 30, 2025, the amount of related party transactions that is included on the statement of financial position as right-of-use operating lease assets was \$2,461,413, and the amount included as lease liabilities - operating was \$2,440,280, of which \$1,919,574 is included within the current portion of lease liabilities - operating. As of September 30, 2024, the amount of related party transactions that is included on the statement of financial position as right-of-use operating lease assets was \$4,434,462, and the amount included as lease liabilities - operating was \$4,344,796, of which \$1,919,075 is included within the current portion of lease liabilities - operating.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2025	2024
Vehicles	\$ 178,980	\$ 178,980
Equipment, furniture, and fixtures	1,690,991	1,622,762
Computer equipment and software	67,029	67,029
Leasehold improvements	1,266,275	1,227,875
Total property and equipment	3,203,275	3,096,646
Accumulated depreciation and amortization	2,271,503	2,081,422
Net property and equipment	<u>\$ 931,772</u>	<u>\$ 1,015,224</u>

Depreciation is provided on the straight-line basis over the estimated useful lives, which range from 3 to 39 years. Depreciation expense for 2025 and 2024 was \$190,081 and \$160,536, respectively.

Note 6 - Joint Venture

The Organization has a 50 percent interest in a joint venture with MiSide called Bridgeway Services, Inc. (Bridgeway), accounted for using the equity method. Bridgeway was formed to provide programs of supervision and care for delinquent juveniles assigned to the Wayne County Juvenile Justice System. Bridgeway has a care management contract with the Wayne County Juvenile Justice Agency through September 30, 2026.

The following is a summary of financial position and results of operations of Bridgeway's activities as of and for the years ended September 30:

	2025	2024
Total assets	\$ 6,596,804	\$ 6,993,248
Total liabilities	496,802	902,251
Net assets	6,100,002	6,090,997
Revenue	9,713,042	11,923,336
Expenses	9,704,037	12,738,286
Net increase (decrease) in net assets	9,005	(814,950)

Note 7 - Concentrations of Credit Risk

The Organization receives a significant portion of its revenue from grants/contracts with government agencies. Approximately 58 and 16 percent of total support, revenue, and other is received from contracts related to Detroit Wayne Integrated Health Network and U.S. Department of Health and Human Services - Head Start, respectively, for the year ended September 30, 2025. Approximately 50 and 16 percent of total support, revenue, and other is received from contracts related to Detroit Wayne Integrated Health Network and U.S. Department of Health and Human Services - Head Start, respectively, for the year ended September 30, 2024. The Organization is subject to possible cutbacks due to changes in funding priorities. Approximately 70 and 56 percent of total receivables related to Detroit Wayne Integrated Health Network for the years ended September 30, 2025 and 2024, respectively.

Beginning October 1, 2025, the Organization will begin billing the State of Michigan for all CCBHC-related claims.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash. The credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization maintains cash and certificates of deposit balances at multiple banks. Deposits at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 8 - Retirement Plan

The Organization sponsors a 401(k) plan for eligible employees. The plan provides for the Organization to make a discretionary matching contribution. Contributions to the plan totaled \$1,554,720 and \$1,526,930 for the years ended September 30, 2025 and 2024, respectively.

Note 9 - Community Foundation Endowment Funds

The Organization participates in permanent endowment programs held and managed by the Community Foundation for Southeast Michigan (CFSEM), an unrelated nonprofit foundation. The Organization established The Guidance Center Endowment Fund in 2011 and The Budd Lynch Endowment Fund for Children in 2012. The purpose of the endowment funds is to provide unrestricted operating support for the Organization from endowment earnings. Distributions from the funds are made at the discretion of CFSEM and can be used for operations.

Note 9 - Community Foundation Endowment Funds (Continued)

Both funds allow contributions by the Organization, as well as outside donors, for the benefit of the Organization. CFSEM has variance power over the funds. Accounting standards require that only the Organization's beneficial interest in the reciprocal transfer portion of the funds (the Organization's cumulative contributions plus net earnings) be shown on the financial statements. This beneficial interest in the funds is recorded at fair value.

The Guidance Center Endowment Fund

The Organization did not contribute to The Guidance Center Endowment Fund (TGCE Fund) during 2025 or 2024. The fair value of the Organization's beneficial interest in the reciprocal transfer portion of TGCE Fund was \$603,328 and \$571,247 at September 30, 2025 and 2024, respectively. During 2025 and 2024, there were no contributions from outside donors. The fair value of this portion of TGCE Fund was \$26,388 and \$24,984 at September 30, 2025 and 2024, respectively. The total fair value of TGCE Fund was \$629,716 and \$596,231 at September 30, 2025 and 2024, respectively.

The Budd Lynch Endowment Fund for Children

The Organization contributed \$0 and \$12,000 to The Budd Lynch Endowment Fund for Children (TBL Fund) during 2025 and 2024, respectively. The fair value of the Organization's reciprocal transfer portion of TBL Fund was \$40,626 and \$37,323 at September 30, 2025 and 2024, respectively. During 2025 and 2024, there were no contributions from outside donors. The fair value of this portion of TBL Fund was \$59,892 and \$56,708 at September 30, 2025 and 2024, respectively. The total fair value of TBL Fund was \$100,518 and \$94,031 at September 30, 2025 and 2024, respectively.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at September 30, 2025 and 2024 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access. The Organization has no Level 1 assets.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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

Notes to Financial Statements

September 30, 2025 and 2024

Note 10 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2025
Beneficial interest in Community Foundation Endowment Fund	\$ -	\$ -	\$ 643,954	\$ 643,954
Investments - Fixed-income certificates of deposit	-	2,956,543	-	2,956,543
Total assets	\$ -	\$ 2,956,543	\$ 643,954	\$ 3,600,497

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2024
Beneficial interest in Community Foundation Endowment Fund	\$ -	\$ -	\$ 608,570	\$ 608,570

The fair value of fixed-income certificates of deposits at September 30, 2025 was determined primarily based on Level 2 inputs. The fair value of the fixed-income certificates of deposit is based on quoted prices for similar securities traded on the secondary market.

Note 11 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of September 30, 2025 and 2024 for general expenditure are as follows:

	2025	2024
Cash	\$ 15,718,196	\$ 18,522,605
Accounts receivable and due from affiliates	6,911,446	4,390,042
Total	\$ 22,629,642	\$ 22,912,647

The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$9.4 million. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 12 - Leases

The Organization is obligated under operating leases primarily for use of office, clinic, and program space, expiring at various dates through June 2029. The right-of-use asset and related lease liability have been calculated using a discount rate of 3.27 or 5.46 percent. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases (not including donated rent described in Note 2) was \$2,532,639 and \$2,754,265 for the years ended September 30, 2025 and 2024, respectively.

Notes to Financial Statements

September 30, 2025 and 2024

Note 12 - Leases (Continued)

The Organization leases vehicles and copiers under long-term lease arrangements that are classified as finance leases. Under the terms of the lease agreements, payments ranging from \$142 to \$1,115 are due monthly through March 2030. The right-of-use asset and related lease liability have been calculated using a discount rate ranging from 3.27 to 5.46 percent.

Expenses recognized under these leases for the years ended September 30, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 119,509	\$ 112,099
Interest on lease liabilities	6,191	9,179
Operating lease cost	<u>2,532,639</u>	<u>2,678,178</u>
Total lease cost	<u>\$ 2,658,339</u>	<u>\$ 2,799,456</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	\$ 118,288	\$ 112,099
Operating cash flows from operating leases	2,531,915	2,638,195
Right-of-use assets obtained in exchange for new finance lease liabilities	79,690	127,800
Weighted-average remaining lease term (years) - Finance leases	2.12	2.05
Weighted-average remaining lease term (years) - Operating leases	1.84	2.43
Weighted-average discount rate - Finance leases	4.3 %	4.7 %
Weighted-average discount rate - Operating leases	4.4 %	3.3 %

The future minimum lease payments under operating and finance leases are as follows:

Years Ending September 30	Operating Leases	Finance Leases	Total Payments
2026	\$ 2,476,995	\$ 91,941	\$ 2,568,936
2027	629,827	31,329	661,156
2028	277,673	8,616	286,289
2029	152,694	8,616	161,310
Thereafter	-	4,308	4,308
Total	<u>3,537,189</u>	<u>144,810</u>	<u>3,681,999</u>
Less amount representing interest	<u>166,445</u>	<u>6,190</u>	<u>172,635</u>
Present value of net minimum lease payments	3,370,744	138,620	3,509,364
Less current obligations	<u>2,366,687</u>	<u>87,845</u>	<u>2,454,532</u>
Long-term obligations under leases	<u>\$ 1,004,057</u>	<u>\$ 50,775</u>	<u>\$ 1,054,832</u>