Detroit Wayne Integrated Health Network

Financial Report
with Supplementary Information
September 30, 2025

Detroit Wayne Integrated Health Network

Contents

April 20, 2026

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, 2025, along with the Independent Auditors Report. This report is prepared for the purpose of disclosing DWIHN's financial condition and is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meets all requirements of the state finance laws of the State of Michigan.

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

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

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

Profile and Demographics of DWIHN

DWIHN serves over one hundred thousand (100,000) members located within the Charter County of Wayne (the County) in the State of Michigan with an approximate population of 1.8 million in the county. The County is the most populous county in the State of Michigan and the 19th most populous county in the nation. The County encompasses approximately 673 square miles and is made up of thirty-four (34) cities, including the City of Detroit, nine (9) townships and thirty-three (33) school districts. The following chart provides additional demographic information regarding persons served in FY25:

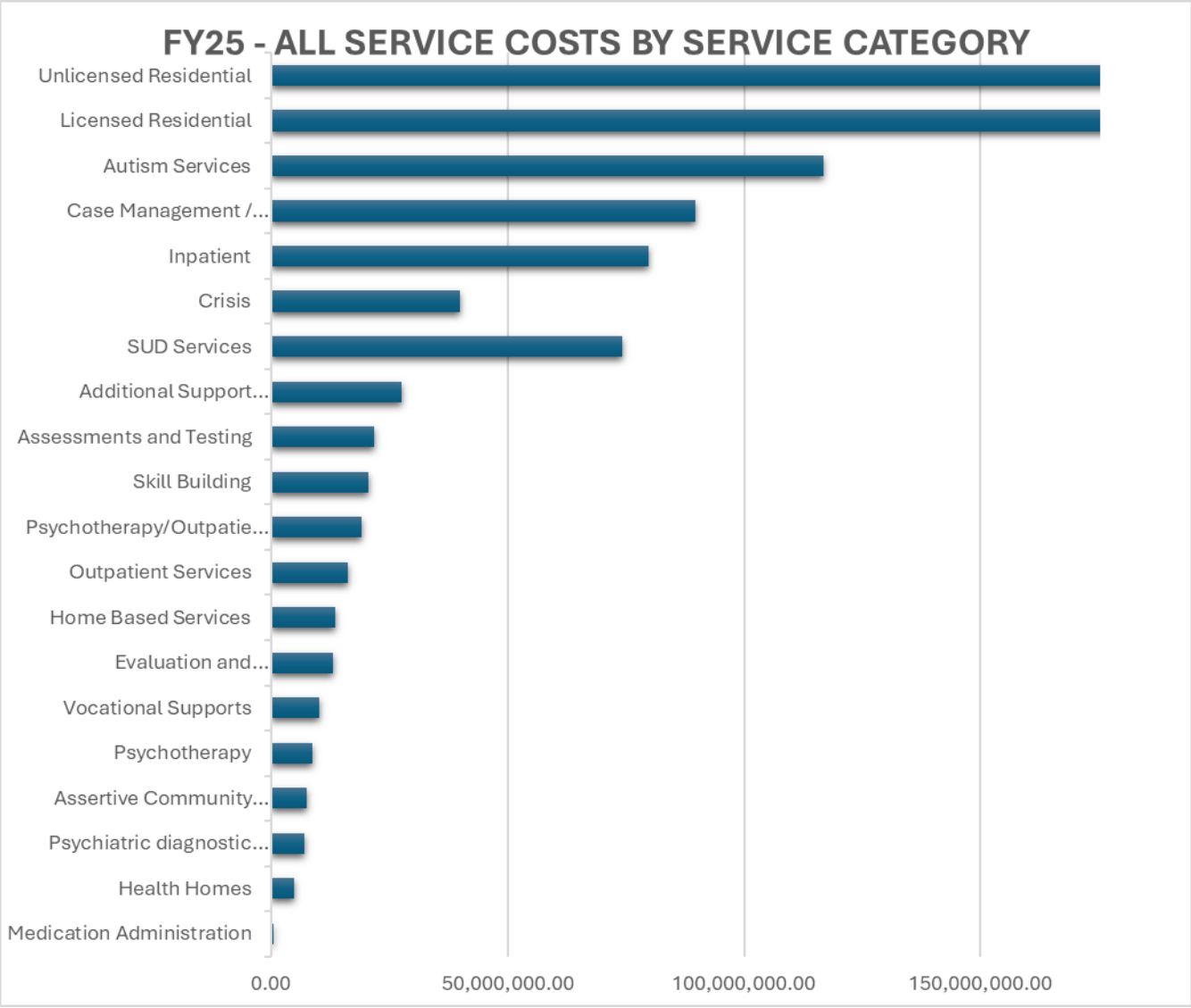
Population by Race	***Population***	***Percentage***
Black/African American	46,107	55.9%
White	23,063	27.9%
Arab American	1,402	1.7%
Asian	635	0.8%
American Indian (non Alaskan)	307	0.4%
Other races	7,773	9.4%
Unreported	3,243	3.9%

Population by Service Area	***Population***	***Percentage***
Detroit	41,484	53%
Out-County	37,344	47%

Population by Age	***Population***	***Percentage***
Children (under 18)	20,326	25%
Adults (18-21)	4,115	5%
Adults (22-50)	35,296	45%
Adults (51-64)	14,553	18%
Adults (over 65)	6,489	8%

By Disability Designation	***Population***	***Percentage***
Adults with MI	44,260	62%
Children with SED	10,782	15%
Individuals with an I/DD	15,969	22%
SUD -Served (co-occurring with other populations)	18,445	

Insurance	***Members***	***Percentage***
Medicaid	50,786	58%
Healthy Michigan Plan	20,128	23%
General Fund/Spend-down	11,583	13%
MiHealthLInk	4,627	5%



Note: SUD = Substance Use Disorder

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

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

DWIHN Board of Directors

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Jonathan C. Kinloch, Vice-Chairperson
Dora Brown, Treasurer
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Karina Bentounsi
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The Reporting Entity and Its Services

In December of 2012, Governor Rick Snyder signed Public Acts 375 and 376 of 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 member affairs (investigation of complaints and grievances; monitoring sites of service; training system staff and members; family subsidy; information; referrals), so members and their families can receive appropriate mental health services in

accordance with the Federal, State and Local laws, rules, guidelines and policies.

Crisis Services Program

The purpose of the Crisis Center program is to provide 24/7/365 crisis stabilization, walk in crisis intervention, and mobile crisis services to adults and children, experiencing a behavioral health crisis. The program provides: (1) immediate crisis supports up to seventy-two (72) hours; (2) supervised care to help de-escalate and stabilize a crisis; (3) deploy trained clinicians to the scene of a crisis; and (4) connect members to mental health services in the community. The crisis center program promotes strong diversion outcomes, reinforced community-based care and offers an alternative to hospital emergency rooms.

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 members with the services needed at a location that is close to them.

DWIHN provides services in coordination and collaboration with over four hundred fifty (450) providers and contractors.

Major Initiatives and Achievements

DWIHN Outpatient Clinic (DOC)

DWIHN expanded access to high-quality outpatient care enrolling seven hundred fifty-four (754) members and delivering three thousand nine hundred twenty-two (3,922) units of services including therapy, case management, psychiatric care, peer supports, and MichiCANS assessments since opening in July of 2024. The program grew to two sites, achieved full three-year Joint Commission accreditation, and strengthened EMR reporting tools to support real-time clinical decision-making. Staffing expansions including peer specialists, youth peer supports, parent support partners, and recovery coaches enhanced the clinic's capacity to meet diverse member needs. Community outreach increased awareness of DOC services and expanded entry points into care.

DWIHN Employee Recognition

DWIHN employees were recognized with several national and regional honors during the fiscal year. These accolades include NAMI Honors Advocate of the Year, Dwight Harris; Michigan Chronicle Women of Excellence, April Siebert; Michigan Chronicle 40 under 40, Gwena Jones; and Crain's Detroit Business Notable Leaders in Finance, Stacie Durant.

State-Sanctioned Crisis Care Centers

In June 2024, DWIHN opened its first state of the art crisis care center located at 707 West Milwaukee, the former administrative headquarters, located in Detroit. The building houses several administrative services that directly support the care center, an adult and children's outpatient clinic, a thirty-two (32) bed Adult and Adolescent Crisis Stabilization Unit, Building Empowerment and Supportive Transition Team (BEST) and an outdoor activity area. The 24/7/365 Milwaukee crisis stabilization units have served one thousand nine hundred sixty-six (1,966) adults and six hundred six (606) youth in fiscal year 2025. Approximately 20% of the presentations are transported to inpatient hospitalization, while the remaining 80% remain in the community. The mobile crisis unit dispatched two thousand nine hundred eighty-one (2,981) incidents and spent an average seventy-three (73) minutes on the scene with a forty-five (45) minute response time.

DWIHN has begun construction of another state-of-the-art fifty-two (52) bed facility located on West 7 Mile, west of Southfield Freeway in Detroit and is anticipated to be completed by October 2026. The 7-mile facility will include administrative and community space, 24/7/365 adult and youth crisis stabilization units and adult and youth crisis residential units, and regular business hour dental, medical and vision clinics.

The design for DWIHN's 3rd Care Center located on West Jefferson just north of Outer Drive W in Ecorse downriver community is underway. The facility is 33,000 square feet and will include an extended hour behavioral health urgent care clinic.

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 my sincere appreciation for the contributions made in the preparation of this report. I would also like to express my appreciation to other DWIHN staff for their continued support of the policies of the Department.

Respectfully submitted.

Stacie L. Durant
Vice-President of Finance

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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, 2025 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, 2025 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Additional Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2026 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

April 20, 2026

These financial statements are the responsibility of the management of the Detroit Wayne Integrated Health Network (DWIHN). We offer this narrative overview and analysis for the fiscal year ending September 30, 2025. 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	$228,475,245
Change in total net position	$ 7,971,741
Installment debt outstanding	$ 20,446,550
Liquidity ratio	1.89

Background

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

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

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

Dual Eligible Pilot Program (MI Health Link/MHL)

The State of Michigan selected DWIHN as one (1) of four (4) Prepaid Inpatient Health Plans (PIHP) to participate in the Dual-Eligible demonstration pilot project (aka MI Health Link or MHL) that began in May 2015 and ended on December 31, 2025. The pilot was designed to integrate primary care with mental health and substance use disorder (SUD) 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 organization's financial position. The following depicts DWIHN's net position on September 30, 2025, and 2024, respectively:

	2025	2024
Current and other assets	$ 282,153,824	$ 255,390,610
Noncurrent assets	49,761,470	60,561,343
Capital assets, net	65,310,627	61,388,162
Total Assets	397,225,921	377,340,115
Current liabilities	148,923,465	137,617,411
Notes Payable	19,827,211	19,219,200
Total Liabilities	168,750,676	156,836,611
Net position:		
Invested in capital assets, net of related debt	44,864,077	42,168,962
Restricted	76,380,377	103,419,765
Unrestricted	107,230,791	74,914,777
Total net position	$ 228,475,245	$ 220,503,504

DWIHN current assets comprise of $226.1 million in cash and investments held at four (4) financial institutions. In addition, approximately $45.8 million is due from the federal and state government for federal and state revenue outstanding at year end. Non-current assets consist of $47.4 million in investments held with investment managers. Capital assets primarily relate to land, the completion of the administration and care center buildings, furniture/fixtures and computer equipment. Overall, current assets are $26.8 million higher compared to prior year due to a $25 million increase in cash and investments.

Current liabilities comprise of $131.8 million in accounts payable due to providers and vendors for services rendered but unpaid at year end. In addition, $7.1 million is related to accrued employee wages and compensated absences. Overall, current liabilities are $11.3 million higher compared to prior year due to an increase in accounts payable based on the timing of provider payments by September 30.

Restricted net position comprises $8.2 million in PA2 funds held for substance use disorders, $2.1 million in Opioid Settlement funds, $2.1 million in cash collateral set aside for the Woodward construction loan, and $64.0 million in a Medicaid Internal Service Fund (ISF). Unrestricted net position relates to the accumulation of local resources on hand at year end. $20.5 million in cash collateral previously reported as restricted net position in fiscal year 2024, was released in fiscal year 2025 and reported as unrestricted net position.

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

	2025	2024
Revenues		
Federal grants and contracts	$ 24,761,549	$ 32,060,142
State grants and contracts	1,212,611,789	1,082,977,059
Local grants and contracts	27,723,999	23,239,959
Charges for services	8,714,886	11,894,682
Interest revenue	8,353,317	12,247,370
Other revenue	3,795,947	2,103,030
Total revenues	1,285,961,487	1,164,522,242
Expenses		
Mental health operating (Managed Care)	54,729,067	49,328,564
Substance use disorders	71,413,112	64,335,917
Autism services	120,012,148	98,134,050
MI HealthLink	8,593,679	11,634,253
Adult services	459,167,191	401,947,401
Children services	58,588,312	61,705,406
Intellectually Disabled	444,193,250	410,647,178
Direct services	31,495,954	16,945,647
Grant programs	10,663,497	8,907,665
State of Michigan	17,605,065	17,497,640
Interest paid on debt	1,528,471	1,222,778
Total expenses	1,277,989,746	1,142,306,499
Change in Net Position	7,971,741	22,215,743
Net position - beginning of year	220,503,504	198,287,761
Net position - end of year	$ 228,475,245	$ 220,503,504

State grants and contracts comprise $950.3 million, $163.5 million, and $21.5 million in Medicaid, Healthy Michigan, and State General fund respectively, including prior year Healthy Michigan Plan savings. The

$132.3 million increase in State grants and contract revenue compared to the prior year primarily relates to a $87.4 million increase in Medicaid revenue received during the fiscal year, of which $43.5 million or fifty (50) percent related to Autism; $33.6 million in pass-through Certified Community Behavioral Health Clinic (CCBHC) supplemental revenue as compared to prior year. In addition, there was a $10.4 million increase in pass-through Hospital Rate Adjustment (HRA) Medicaid payments to psychiatric and community hospitals. Local grants and contracts comprise of the local match requirement mandated in the Mental Health Code in addition to the PA2 substance use disorder revenue. Charges for services relate to funds received from the ICO's for the MHL pilot program.

DWIHN's managed care operating expenses comprise of salaries and fringe benefits ($41.1 million) for DWIHN staff, depreciation expense ($3.7 million), facility costs ($3.8 million) and information technology maintenance and support ($3.8 million). The $5.4 million increase in managed care operating costs as compared to the previous year is related to an increase in depreciation expense and cost-of-living wage and benefit increases for staff in accordance with union contracts. It should be noted that managed care operating expenses include the Office of Recipient Rights (ORR), which are considered CMHSP administrative costs.

The overall SUD, Autism, Adult, Children, and Intellectual Developmental Disability (IDD) provider network costs increased by $116.6 million as compared to prior year due to $21.9 million increase in Autism expenses as compared to prior year and $10.4 million in pass-through Hospital Rate Adjustment Medicaid payments to psychiatric and community hospitals. In addition, Michigan Department of Health and Human Services (MDHHS) has seven (7) CCBHC's that received a $33.6 million increase in supplement pass-through payments. The remaining increase of approximately $51.0 million primarily relates to an increase of $33.6 million in IDD costs.

The Direct service costs primarily comprise of salaries and fringes of employees assigned to the crisis center at 707 West Milwaukee, the former administrative building, and other outpatient clinical assessments and screenings performed by the Access Center and Residential Department. and care center expenses, respectively. The $14.6 million increase in direct services pertains to an $11.3 million increase in care center expenses as compared to prior year. The care center opened in June 2024; fiscal year 2025 was the first full year of operations for the care center. The remaining increase relates to the expansion of DWIHN's outpatient services.

Payments to the State of Michigan totaled $17.6 million and comprise of local match payments to draw down federal funds, local state hospital costs and the Insurance Provider Assessment Act (IPA) tax payments.

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	$ 26,529,282	$ 24,761,549	$ (1,767,733)
State grants and contracts	1,174,124,709	1,212,611,789	38,487,080
Local grants and contracts	30,833,711	27,723,999	(3,109,712)
Charges for services	12,592,243	12,510,833	(81,410)
Medicaid reserves	4,139,329	-	(4,139,329)
Total operating revenues	1,248,219,274	1,277,608,170	29,388,896
Operating expenses			
Managed care salaries and fringes	$ 44,915,922	41,101,576	(3,814,346)
Substance use disorders	68,770,815	71,413,112	2,642,297
Autism services	104,955,784	120,012,148	15,056,364
MI HealthLink	8,301,198	8,593,679	292,481
Adult serivices	448,760,870	459,167,191	10,406,321
Children services	59,933,713	58,588,312	(1,345,401)
Intellectually Disabled	424,364,628	444,193,250	19,828,622
Direct services	41,009,225	31,495,954	(9,513,271)
Grant programs	11,864,536	10,663,497	(1,201,039)
State of Michigan	17,497,640	17,605,065	107,425
Managed care operating costs	12,677,943	9,922,049	(2,755,894)
Depreciation	3,700,000	3,705,442	5,442
Total operating expenses	$ 1,246,752,274	$ 1,276,461,275	29,709,001
Operating income (loss)	1,467,000	1,146,895	(320,105)
Non-operating revenue (expense)			
Interest expense	(1,500,000)	(1,528,471)	(28,471)
Investment earnings (loss)	6,260,000	8,353,317	2,093,317
Total non-operating revenue	4,760,000	6,824,846	2,064,846
Change in net position	$ 6,227,000	7,971,741	$ 1,744,741
Net position - beginning of year		220,503,504	
Net position - end of year		$ 228,475,245	

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	$ 24,123,760	$ 26,529,282	$ 2,405,522
State grants and contracts	1,090,097,925	1,174,124,709	84,026,784
Local grants and contracts	29,210,697	30,833,711	1,623,014
Other operating revenue	12,592,243	12,592,243	-
Medicaid reserves	23,315,129	4,139,329	(19,175,800)
Total operating revenues	1,179,339,754	1,248,219,274	68,879,520
Managed care salaries and related	$ 46,644,579	$ 44,915,922	$ (1,728,657)
Substance use disorders	63,999,755	68,770,815	4,771,060
Autism services	92,649,972	104,955,784	12,305,812
MI HealthLink	12,301,198	8,301,198	(4,000,000)
Adult Services	395,657,197	448,760,870	53,103,673
Children Services	67,176,515	59,933,713	(7,242,802)
Intellectually Disabled	391,618,934	424,364,628	32,745,694
Direct services	34,496,562	41,009,225	6,512,663
Grant Programs	10,742,639	11,864,536	1,121,897
State of Michigan	20,682,395	17,497,640	(3,184,755)
Managed care operating costs	19,950,008	12,677,943	(7,272,065)
Depreciation	2,980,000	3,700,000	720,000
Total operating expenses	$ 1,158,899,754	$ 1,246,752,274	$ 87,852,520
Nonoperating Revenue (expense)			
Interest paid on debt	(1,200,000)	(1,500,000)	300,000
Investment earnings	6,760,000	6,260,000	(500,000)
	5,560,000	4,760,000	(200,000)
Change in net position	$ 26,000,000	$ 6,227,000	$ (19,173,000)

The federal grants and contracts increased by $2.4 million for mental health grants. Approximately $15.3 million of the $84.0 million increase to state grants and contracts relates to an increase in Medicaid related to the HRA pass-through revenue to psychiatric and community

hospitals with the corresponding expense included in adult services. In addition, $16.5 million in state grant and contracts relate to the increase in pass-through CCBHC supplemental revenue to CCBHC providers with the corresponding expense included in adult services; and $10.3 million in Autism revenue with the corresponding expense included in Autism services. Finally, the remaining $41.9 million increase in state grants and contracts relates to restoring Medicaid revenue reduced during the budgeting process to take into consideration the possible reductions due to the end of the pandemic whereby thousands of eligible members lost their insurance coverage. The corresponding expenses are included in Adult and Intellectually Disabled services.

Direct services were increased to reflect the direct hiring of additional clinical and support personnel for the delivery of outpatient and crisis services to members in Wayne County.

Economic Factors and Next Year's Budget

- The State of Michigan legislation appropriated $65 million to DWIHN to expand crisis services in the downriver area in addition to an integrated care center in the city of Detroit. Construction is underway for both facilities and DWIHN has the borrowing capacity to complete construction however DWIHN will require MDHHS financial support to operate the centers.
- Several years ago, MDHHS established a workgroup amongst the Community Mental Health Services Programs (CMHSP) reviewed and made a recommendation on how State General Fund is allocated between the CMHSP's; the workgroup's recommendation included a $22 million reduction to DWIHN's appropriation. With the end of the PHE, and the significant financial burden incurred by the "waterfall" approach to Plan First, DWIHN does not have sufficient General Fund to cover the mandated responsibilities set forth in the Mental Health Code.
- In August 2025, MDHHS issued a Request for Proposal (RFP) to consolidate the existing ten (10) PIHP's into three (3) regional entities – (1) the Upper Peninsula and Northern Michigan; (2) Mid-State and Central regions and (3) the Southeastern Tri-County area. This would have restructured the state's $4.9 billion in behavioral health care services. Several PIHP's and CMHSP's filed a lawsuit stating the RFP violated several laws including the Michigan Mental Health Code. The Court determined that MDHHS has the unilateral authority to transition to a competitive procurement model for Medicaid behavioral health services and may reduce the number of service regions under that model. However, the Court declined to issue a final decision in the case, noting that the RFP may conflict with Michigan law. Specifically, the Court raised concerns that the RFP could improperly assign functions to PIHPs that are statutorily reserved for local Community Mental Health agencies (CMHs), and that it may fail to provide sufficient funding to CMHs to enable them to meet their legal obligations and would need to be amended to proceed. MDHHS indicated that it rescinded the RFP "to evaluate next steps and available options in alignment with our commitment to ensuring Michigan's

behavioral health system is structured in a way that best serves beneficiaries" while aligning with federal and state requirements.

- H.R. 1, officially known in Congress as a budget reconciliation bill and informally as the One Big Beautiful Bill Act was signed into law by President Trump on July 4, 2025, and impacts critical support programs for Michigan's most vulnerable populations. A few changes in H.R. 1 limit access to coverage and increase insurance costs for Michiganders, especially lower income families. Under H.R. 1, low-income working families who lose Medicaid coverage because they do not meet new work requirements are barred from receiving premium tax credits to purchase insurance through the Health Insurance Marketplace. As a result, individuals removed from Medicaid would also be ineligible for subsidized Marketplace coverage, leaving many without access to affordable health insurance options. The law also makes significant reductions and structural changes to major federal safety-net programs, including Medicaid and the Supplemental Nutrition Assistance Program (SNAP). These changes are expected to limit eligibility, reduce federal funding, and shift additional financial responsibility to states, potentially affecting access to health care and food assistance for vulnerable populations. H.R. 1 narrows eligibility for SNAP by increasing the maximum age for work requirements from 54 to 64 for able-bodied adults without dependents. This change subjects a broader group of older, low-income adults to work reporting and participation rules to maintain food assistance benefits. The law also significantly reduces federal Medicaid spending—representing among the largest cuts in the program's history, as part of broader efforts to offset the cost of tax relief measures. These reductions are expected to shift additional financial pressure to states while potentially limiting access to health coverage for low-income individuals and families. There have also been broader economic and social policy changes affecting health care, food assistance, and other programs. With looming changes to SNAP and Medicaid, states need innovative ways to fill funding gaps and continue delivering benefits to residents. Budget comparisons show that many states are not equipped to absorb costs that have traditionally been the responsibility of the federal government.

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
8726 Woodward Ave
Detroit, Michigan 48202

Detroit Wayne Integrated Health Network

Statement of Net Position

September 30, 2025

Assets	
Current assets:	
Cash and cash equivalents (Note 3)	$ 184,129,044
Investments (Note 3)	39,815,908
Receivables: (Note 5)	
Accounts receivable	7,027,989
Due from other governmental units	45,774,898
Prepaid expenses and other assets	3,286,540
Restricted cash (Note 2)	2,119,445
Total current assets	282,153,824
Noncurrent assets:	
Investments (Note 3)	47,401,470
Other	2,360,000
Capital assets: (Note 6)	
Assets not subject to depreciation	16,263,672
Assets subject to depreciation - Net	49,046,955
Total noncurrent assets	115,072,097
Total assets	397,225,921
Liabilities	
Current liabilities:	
Accounts payable	131,827,041
Due to other governmental units	6,846,977
Accrued wages and benefits	4,089,607
Unearned revenue	2,573,977
Compensated absences (Note 7)	2,966,524
Current portion of long-term debt (Note 7)	619,339
Noncurrent liabilities - Long-term debt (Note 7)	19,827,211
Total liabilities	168,750,676
Net Position	
Net investment in capital assets	44,864,077
Restricted:	
Restricted for substance abuse disorder PA2	8,170,832
Restricted for risk financing - Medicaid ISF	63,980,478
Restricted cash collateral	2,119,445
Restricted for opioid settlement	2,109,622
Unrestricted	107,230,791
Total net position	**$ 228,475,245**

See notes to financial statements.

Detroit Wayne Integrated Health Network

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended September 30, 2025
Operating Revenue	
State grants and contracts	$ 1,212,611,788
Charges for services	8,714,885
Local grants and contracts	27,723,999
Federal grants and contracts	24,761,550
Other revenue	3,795,947
Total operating revenue	1,277,608,169
Operating Expenses	
Managed care personnel	29,594,204
Managed care fringe benefits	11,507,372
Substance use disorder services	71,413,112
Autism services	120,012,148
MI Health Link	8,593,679
Adult services	459,167,190
Children services	58,588,313
Intellectually disabled	444,193,250
Grant programs	10,663,497
State of Michigan	17,605,065
Operating costs	9,922,048
Direct services	31,495,953
Depreciation	3,705,443
Total operating expenses	1,276,461,274
Operating Income	1,146,895
Nonoperating Revenue (Expense)	
Investment income - Net	8,353,317
Interest paid on debt	(1,528,471)
Total nonoperating revenue	6,824,846
Change in Net Position	7,971,741
Net Position - Beginning of year	220,503,504
Net Position - End of year	**$ 228,475,245**

See notes to financial statements.

Detroit Wayne Integrated Health Network

Statement of Cash Flows

Year Ended September 30, 2025

Cash Flows from Operating Activities	
Cash received from state and federal sources	$ 1,237,443,060
Cash received from local sources	40,487,475
Payments to providers and suppliers	(1,096,174,401)
Payments to employees	(78,199,499)
Other receipts (payments)	(2,798,292)
Payments to state sources	(75,761,636)
Net cash and cash equivalents provided by operating activities	24,996,707
Cash Flows from Capital and Related Financing Activities	
Construction loan draws	1,705,800
Net purchase of capital assets	(7,810,392)
Principal and interest paid on capital debt	(2,006,921)
Net cash and cash equivalents used in capital and related financing activities	(8,111,513)
Cash Flows from Investing Activities	
Investment income - Net	8,353,317
Purchases of investment securities - Net of sales	(3,194,097)
Net cash and cash equivalents provided by investing activities	5,159,220
Net Increase in Cash and Cash Equivalents	22,044,414
Cash and Cash Equivalents - Beginning of year	164,204,075
Cash and Cash Equivalents - End of year	**$ 186,248,489**
Classification of Cash and Cash Equivalents	
Cash and investments	$ 184,129,044
Restricted cash	2,119,445
Total cash and cash equivalents	**$ 186,248,489**
Reconciliation of Operating Income to Net Cash and Cash Equivalents from Operating Activities	
Operating income	$ 1,146,895
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:	
Depreciation	3,887,928
Changes in assets and liabilities:	
Account receivable	(9,855,124)
Due from other governmental units	9,208,468
Prepaid and other assets	(1,060,010)
Accrued wages and benefits	1,176,691
Accounts payable	16,549,023
Due to other governmental units	3,942,836
Net cash and cash equivalents provided by operating activities	**$ 24,996,707**

See notes to financial statements.

Note 1 - Nature of Business

Reporting Entity

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

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

Program Operations

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

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 members.

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 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 restriction for substance abuse disorder is governed by Public Act 2 (PA2) of 1986 and requires funds received pursuant to PA2 to solely be used in accordance with the provisions of the Public Act. The restriction for opioid settlement funds is governed by a settlement agreement and requires funds received to be used in accordance with the provisions of the settlement agreement.

The net position in the Medicaid risk reserve fund, substance abuse disorder PA2 funding, and opioid settlement totaled $63,980,478, $8,170,832 and $2,109,622, respectively, at September 30, 2025.

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 members (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.

Note 2 - Significant Accounting Policies (Continued)

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.

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 cost, 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 $2,119,445 is maintained per DWIHN's construction loan agreements, as further disclosed in Note 7.

Accounts Payable and Due to Other Governmental Units

Accounts payable balances include final expenditures due to service providers for the current fiscal year. Due to other governmental units represents amounts owed to the State of Michigan.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences

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

The compensated absence liability is reported in the proprietary fund. A liability is recognized due to the PTO attributable to services already rendered, PTO that accumulates, and PTO that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Unearned Revenue

DWIHN reports unearned revenue in connection with resources that have been received but not yet earned. As of September 30, 2025, $2,573,977 of unearned revenue was reported.

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 $1.1 billion and $21.5 million, respectively, for the year ended September 30, 2025; 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 April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2026.

Note 2 - Significant Accounting Policies (Continued)

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement clarifies the subsequent events that constitute recognized and unrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions of this statement are effective for DWIHN's financial statements for the year ending September 30, 2027.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 20, 2026, 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 four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in any securities allowed under the act. 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 $103 million (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.

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.

Note 3 - Deposits and Investments (Continued)

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

Investment	Carrying Value	Less Than 1 Year	1-5 Years
Municipal obligations	$ 9,548,932	$ 4,810,959	$ 4,737,973
U.S. federal agencies	39,393,048	11,532,412	27,860,636
U.S. government obligations	14,500,726	6,241,129	8,259,597
Corporate bonds	270,741	-	270,741
Negotiable certificates of deposit	483,686	483,686	-
Collateralized mortgage obligations	576,941	-	576,941
Mortgage-backed securities	9,644,376	5,732,039	3,912,337
U.S. Treasury bills	12,798,928	11,015,683	1,783,245
Total	$ 87,217,378	$ 39,815,908	$ 47,401,470

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Municipal obligations	$ 1,418,371	Aa1	Moody's
Municipal obligations	1,308,964	Aa2	Moody's
Municipal obligations	1,129,925	Aaa	Moody's
Municipal obligations	5,691,672	Not rated	N/A
Total municipal obligations	9,548,932		
U.S. federal agencies	21,703,227	Aaa	Moody's
U.S. federal agencies	17,689,821	Not rated	N/A
Total U.S. federal agencies	39,393,048		
U.S. government obligations	9,149,005	Aaa	Moody's
U.S. government obligations	5,351,721	Not rated	N/A
Total U.S. government obligations	14,500,726		
Corporate bonds	270,741	Aaa	Moody's
Negotiable certificates of deposit	483,686	Not rated	N/A
Collateralized mortgage obligations	576,941	Not rated	N/A
Mortgage-backed securities	9,644,376	Not rated	N/A
U.S. Treasury bills	5,368,082	Aa1	Moody's
U.S. Treasury bills	7,430,846	Not rated	N/A
Total U.S. Treasury bills	12,798,928		
Total	$ 87,217,378		

Note 3 - Deposits and Investments (Continued)

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. DWIHN does not have a single security type or investment portfolio invested in assets issued or managed by a single financial institution that exceeds 40 percent.

Note 4 - Fair Value Measurements

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

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

DWIHN has the following recurring fair value measurements as of September 30, 2025:

	Assets Measured at Fair Value on a Recurring Basis		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Debt securities:			
Municipal obligations	$ -	$ 9,548,932	$ -
U.S. federal agencies	-	39,393,048	-
U.S. government obligations	-	14,500,726	-
Corporate bonds	-	270,741	-
Negotiable certificates of deposit	-	483,686	-
Collateralized mortgage obligations	-	576,941	-
Mortgage-backed securities	-	9,644,376	-
U.S. Treasury bills	-	12,798,928	-
Total assets	$ -	$ 87,217,378	$ -

The fair value of DWIHN's investments at September 30, 2025 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, 2025 was $7,027,989, which is due from providers.

Note 5 - Accounts Receivable and Due from Other Governmental Units (Continued)

The due from other governmental units balance at September 30, 2025 was $45,774,898. This consists of $2,798,292 due from Wayne County, Michigan for Public Act 2 funds; $42,119,234 due from the State of Michigan; and $857,372 due from the federal government.

Note 6 - Capital Assets

Capital asset activity of DWIHN was as follows:

Business-type Activities

	Balance October 1, 2024	Additions	Disposals and Adjustments	Balance September 30, 2025
Capital assets not being depreciated:				
Land	$ 5,929,450	$ -	$ -	$ 5,929,450
Construction in progress	4,197,043	6,137,179	-	10,334,222
Subtotal	10,126,493	6,137,179	-	16,263,672
Capital assets being depreciated:				
Buildings and improvements	51,294,644	639,419	-	51,934,063
Computers	3,738,539	428,264	-	4,166,803
Vehicles	1,237,091	110,669	-	1,347,760
Office equipment	2,593,770	57,960	-	2,651,730
Software	4,876,927	436,901	-	5,313,828
Subtotal	63,740,971	1,673,213	-	65,414,184
Accumulated depreciation:				
Buildings and improvements	6,218,566	2,499,885	-	8,718,451
Computers	1,620,376	516,203	-	2,136,579
Vehicles	93,229	182,485	-	275,714
Office equipment	1,699,395	212,222	-	1,911,617
Software	2,847,735	477,133	-	3,324,868
Subtotal	12,479,301	3,887,928	-	16,367,229
Net capital assets being depreciated	51,261,670	(2,214,715)	-	49,046,955
Net capital assets	$ 61,388,163	$ 3,922,464	$ -	$ 65,310,627

Construction Commitments

DWIHN has active construction projects at year end. The projects include the 7 Mile Care Center Renovations, Downriver Care Center Renovations, and Direct BHS Woodward. DWIHN's construction in progress and remaining construction commitments with contractors as of September 30, 2025 are as follows:

	Spent to Date	Remaining Commitment
Downriver Care Center Renovations	$ 328,608	$ -
7 Mile Care Center Renovations	10,003,314	35,556,223
Direct BHS Woodward	2,300	-
Total	$ 10,334,222	$ 35,556,223

Note 7 - Long-term Debt

On August 17, 2022, DWIHN entered into a construction loan with a financial institution for funding of the renovations of the Milwaukee Ave. Care Center (the "Milwaukee loan") with available draws up to $9.53 million. On November 15, 2024, the Milwaukee construction loan was converted to a term note, at which point principal payments will be due monthly to be paid on a 20-year amortization period, with the remaining principal due in full on August 15, 2027.

Prior to the loan conversion, interest on the Milwaukee loan was due monthly at a per annum rate equal to the Secured Overnight Financing Rate (SOFR) plus 2.65 percent on the unpaid principal balance. The effective interest rate for the year ended September 30, 2025 was 6.80 percent.

On August 17, 2022, DWIHN entered into a construction loan with a financial institution for funding of the renovations of the Woodward Ave. Admin Office (the "Woodward loan") with available draws up to $11.4 million. On November 15, 2024, the Woodward loan was converted to a term note, at which point principal payments will be due monthly to be paid on a 20-year amortization period, with the remaining principal due in full on August 15, 2027.

Prior to the loan conversion, interest on the Woodward loan was due monthly at a per annum rate equal to SOFR plus 2.65 percent on the unpaid principal balance. The effective interest rate for the year ended September 30, 2025 was 6.80 percent.

During the year ended September 30, 2025, there was $1,390,919 and $314,881 of draws on the Woodward loan and Milwaukee loan, respectively. Total loans outstanding as of September 30, 2025 were $20,446,550.

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, 2025.

As of September 30, 2025, DWIHN's long-term debt was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accumulated compensated absences	$ 2,119,980	$ 3,764,249	$ 2,917,705	$ 2,966,524	$ 2,966,524
Direct borrowing and direct placements - Woodward loan	10,009,081	1,390,919	260,661	11,139,339	337,418
Direct borrowing and direct placements - Milwaukee loan	9,210,119	314,881	217,789	9,307,211	281,921
Total	$ 21,339,180	$ 5,470,049	$ 3,396,155	$ 23,413,074	$ 3,585,863

Debt Service Requirements to Maturity

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

	Direct Borrowings and Direct Placements		
Years Ending September 30	Principal	Interest	Total
2026	$ 619,339	$ 1,367,969	$ 1,987,308
2027	19,827,211	997,705	20,824,916
Total	$ 20,446,550	$ 2,365,674	$ 22,812,224

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, 2025.

Note 8 - Defined Contributions Pension Plan

DWIHN 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 $989,592 and $3,955,806, respectively, for the year ended September 30, 2025.

Note 9 - Risk Management and Contingent Liabilities

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

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

Supplementary Information

Supplementary Information

Statement of Revenue, Expenses, and Changes in Net Position
Budgetary Comparison
Year Ended September 30, 2025

	Original Budget (unaudited)	Amended Budget (unaudited)	Actual	Variance with Amended Budget - favorable (unfavorable)
Operating Revenue				
State grant and contracts	$ 1,090,097,925	$ 1,174,124,709	$ 1,212,611,788	$ 38,487,079
Other operating revenue	12,592,243	12,592,243	12,510,832	(81,411)
Local grants and contracts	29,210,697	30,833,711	27,723,999	(3,109,712)
Federal grants and contracts	24,123,760	26,529,282	24,761,550	(1,767,732)
Use of Medicaid/ local reserves	23,315,129	4,139,329	-	(4,139,329)
Total operating revenue	1,179,339,754	1,248,219,274	1,277,608,169	29,388,895
Operating Expenses				
Managed care personnel	$ 33,447,160	$ 32,091,883	$ 29,594,199	$ 2,497,684
Managed care fringe benefits	13,197,419	12,824,039	11,507,377	$ 1,316,662
Substance use disorders	63,999,755	68,770,815	71,413,112	(2,642,297)
Autism services	92,649,972	104,955,784	120,012,148	(15,056,364)
MI HealthLink	12,301,198	8,301,198	8,593,679	(292,481)
Adult services	395,657,197	448,760,870	459,167,190	(10,406,320)
Children services	67,176,515	59,933,713	58,588,313	1,345,400
Direct Services	34,496,562	41,009,225	31,495,953	9,513,272
Intellectually disabled	391,618,934	424,364,628	444,193,250	(19,828,622)
Grant programs	10,742,639	11,864,536	10,663,497	1,201,039
State of Michigan	20,682,395	17,497,640	17,605,065	(107,425)
Operating Costs	19,950,008	12,677,943	9,922,048	2,755,895
Depreciation	2,980,000	3,700,000	3,705,443	(5,443)
Total expenses	1,158,899,754	1,246,752,274	1,276,461,274	(29,709,000)
Operating Income	20,440,000	1,467,000	1,146,895	(320,105)
Nonoperating Revenue (Expense)				
Investment income	6,760,000	6,260,000	8,353,317	2,093,317
Interest paid on debt	(1,200,000)	(1,500,000)	(1,528,471)	(28,471)
Total nonoperating revenue	5,560,000	4,760,000	6,824,846	2,064,846
Change in Net Position	$ 26,000,000	$ 6,227,000	$ 7,971,741	$ 1,744,741