

**Southwest Solutions and Subsidiaries**  
**(not-for-profit corporations)**

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**Consolidated Financial Report**  
**with Additional Information**  
**September 30, 2015**

# Southwest Solutions and Subsidiaries

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## Independent Auditor's Report

To the Board of Directors  
Southwest Solutions and Subsidiaries

We have audited the accompanying consolidated financial statements of Southwest Solutions and Subsidiaries (the "Organization"), which comprise the consolidated balance sheet as of September 30, 2015 and the related consolidated statements of unrestricted revenue, expenses, and other changes in unrestricted net assets, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Southwest Solutions and Subsidiaries

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southwest Solutions and Subsidiaries as of September 30, 2015 and the results of their changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

March 25, 2016

# Southwest Solutions and Subsidiaries

## Consolidated Balance Sheet September 30, 2015

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 7,203,410
Receivables:	
Trade	923,292
Contributions (Note 3)	2,407,918
Grants	4,363,343
Patient services	181,100
Other	137,829
Allowance for uncollectible accounts	(361,717)
Property held for resale	1,694,759
Prepaid expenses and other current assets	359,079
	<hr/>
Total current assets	16,909,013
<b>Investments - Other (Note 13)</b>	755,607
<b>Property and Equipment - Net (Note 4)</b>	80,138,177
<b>Developments in Progress</b>	1,480,732
<b>Assets Limited as to Use (Note 5)</b>	9,094,569
<b>Long-term Notes Receivable (Note 6)</b>	8,949,602
<b>Other Assets</b>	1,231,839
	<hr/>
Total assets	<b><u>\$ 118,559,539</u></b>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 2,689,992
Current portion of notes payable (Note 7)	2,312,209
Deferred revenue	2,742,863
Accrued liabilities and other	4,059,321
	<hr/>
Total current liabilities	11,804,385
<b>Notes Payable (VIE restricted portion - \$24,907,364) - Net of current portion (Note 7)</b>	39,459,537
<b>Interest Payable - Long term (Note 7)</b>	7,547,798
	<hr/>
Total liabilities	58,811,720
<b>Net Assets</b>	
Unrestricted:	
Controlling interest	14,343,235
Noncontrolling interest	36,325,986
Temporarily restricted (Note 8)	6,260,468
Permanently restricted (Note 8)	2,818,130
	<hr/>
Total net assets	59,747,819
	<hr/>
Total liabilities and net assets	<b><u>\$ 118,559,539</u></b>

## Southwest Solutions and Subsidiaries

### Consolidated Statement of Unrestricted Revenue, Expenses, and Other Changes in Unrestricted Net Assets Year Ended September 30, 2015

#### Changes in Unrestricted Net Assets

Revenue and support:	
Contributions, grant funding, and capitation revenue	\$ 31,352,392
Patient and other services	735,357
Rent	4,740,862
Program revenue	551,134
Property management fees	328,735
Sales of property	9,146,494
Gain from Bridgeway Services, Inc.	78,161
Interest	356,872
Miscellaneous income	420,986
	<hr/>
Total revenue and support	47,710,993
Net assets released from restrictions	<hr/> 3,190,483
Total unrestricted revenue, support, and net assets released from restrictions	50,901,476
Expenses:	
Program services	49,315,958
Support services	7,298,069
	<hr/>
Total expenses	56,614,027
<b>Decrease in Unrestricted Net Assets from Operating Activities</b>	<b>(5,712,551)</b>
<b>Equity Contributions</b> (Note 2)	<b>4,970,691</b>
	<hr/>
<b>Decrease in Unrestricted Net Assets</b>	<b>(741,860)</b>
<b>Less Increase in Unrestricted Net Assets Attributable to Noncontrolling Interests</b>	<b>(517,374)</b>
	<hr/>
<b>Decrease in Unrestricted Net Assets Attributable to Controlling Interests</b>	<b>\$ (1,259,234)</b>

## Southwest Solutions and Subsidiaries

### Consolidated Statement of Changes in Net Assets Year Ended September 30, 2015

<b>Unrestricted Net Assets</b>	
Decrease in unrestricted net assets attributable to controlling interests	\$ (1,259,234)
Increase in unrestricted net assets attributable to noncontrolling interests	<u>517,374</u>
<b>Decrease in Unrestricted Net Assets</b>	(741,860)
<b>Temporarily Restricted Net Assets</b>	
Contributions	3,078,175
Net assets released from restrictions	<u>(3,190,483)</u>
<b>Decrease in Temporarily Restricted Net Assets</b>	(112,308)
<b>Permanently Restricted Net Assets - Contributions</b>	<u>247,500</u>
<b>Decrease in Net Assets</b>	(606,668)
<b>Net Assets - Beginning of year</b>	<u>60,354,487</u>
<b>Net Assets - End of year</b>	<u><b>\$ 59,747,819</b></u>

# Southwest Solutions and Subsidiaries

## Consolidated Statement of Cash Flows Year Ended September 30, 2015

### Cash Flows from Operating Activities

Decrease in net assets	\$ (606,668)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	4,952,656
Gain from Bridgeway Services, Inc.	(78,161)
Bad debt expense	163,770
Gain on disposal of assets	(211)
Equity contributions received	(4,970,691)
Restricted contributions	(247,500)
Gain from BHPI, Inc.	(15,000)
Changes in operating assets and liabilities which (used) provided cash:	
Accounts receivable	(256,546)
Prepaid expenses and other	(166,694)
Property held for resale	2,304,258
Accounts payable	418,248
Interest payable	(789,034)
Accrued liabilities and other	(483,452)
Deferred revenue	2,535,254
Net cash provided by operating activities	2,760,229

### Cash Flows from Investing Activities

Purchase of property and equipment	(5,734,699)
Proceeds from disposition of property and equipment	1,350
Purchases of investments	(15,000)
Proceeds from sale of investments	25,000
Increase in assets limited as to use	(1,282,698)
Payments on long-term notes receivable	(212,103)
Cash invested in developments in progress	(426,317)
Net cash used in investing activities	(7,644,467)

### Cash Flows from Financing Activities

Proceeds from notes payable	2,236,980
Repayment on notes payable	(3,334,729)
Restricted contributions	247,500
Change in interest payable	1,522,347
Equity contributions received	4,970,691
Net cash provided by financing activities	5,642,789

**Net Increase in Cash and Cash Equivalents** 758,551

**Cash and Cash Equivalents - Beginning of year** 6,444,859

**Cash and Cash Equivalents - End of year** \$ 7,203,410

**Supplemental Disclosure of Cash Flow Information - Cash paid for interest** \$ 789,034

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note I - Nature of Business and Significant Accounting Policies

**Nature of Organization** - The accompanying consolidated financial statements reflect the consolidated financial position and changes in net assets and cash flows of Southwest Solutions (Solutions) and its wholly owned subsidiaries, Southwest Counseling Solutions (Counseling), Asset Services, Inc. (Services), Southwest Economic Solutions (Economic Solutions), and Southwest Housing Corporation and Subsidiaries (Housing) (collectively, the "Organization").

Solutions is a Michigan nonprofit corporation organized in October 2001 for the primary purpose of holding membership interests in Counseling, Services, Economic Solutions, and Housing.

Included in Solutions is the Veritable Group, a wholly owned subsidiary that provides services as a brokerage company.

Counseling is organized and operated to ensure the provision and availability of mental health services, juvenile justice, family literacy, and housing and employment support services to residents of southeastern Michigan.

Program descriptions are as follows:

- **Outpatient Adult** - Provides comprehensive outpatient mental health services to adults with mental illness and their families. Services include psychosocial assessment, information, and referral; crisis intervention; individual, group, and family therapy; psychopharmacology; care coordination/case management; supported employment; psychosocial rehabilitation; vocational/pre-vocational opportunities; and prevention programs.
- **School-based and Early Childhood** - Provides literacy services to preschool and early school-aged children and their families. Services include preschool/early childhood education, adult education (including English as a second language instruction), guided parent/child interaction, and parenting education. Sponsors/organizes community-wide literacy awareness events. Provides guidance, support, and technical assistance to local childcare providers and children at risk of childcare expulsion.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- **Children, Youth, and Family** - Provides comprehensive outpatient mental health services to children with serious emotional disorders and their families. Services include psychosocial assessment, information, and referral; crisis intervention (24/7); individual, group, and family therapy; psychopharmacology; infant mental health; care coordination/case management; and prevention services. Provides services to at-risk youth and their families (adjudicated youth involved with juvenile justice system, youth on probation, youth at risk of adjudication, and/or youth with a serious emotional disorder). Services include individual, group, and family counseling; crisis intervention (24/7); juvenile court representation/coordination; care coordination/wraparound services; youth/family mentoring; youth leadership development; and parent/family support.
- **Supportive Housing Services** - Provides permanent housing services to individuals/families with disabling conditions (mental illness, developmental disabilities, substance abuse disorders, or chronic health conditions), veterans, and at-risk youth who are homeless. Services include outreach to shelters/street outreach; assessment; individual and group therapy; care coordination; crisis intervention (24/7); home finding, housing inspection, and permanent housing placement; rental assistance and assistance with rent/utility payments; assistance to landlords; emergency funding; and assistance with disability application/determination.

Services was formed to purchase, own, and manage buildings and equipment used by and leased to Counseling and other affiliated organizations.

Economic Solutions was formed on October 1, 2013 to promote and preserve home ownership, advance financial literacy, and empower families and individuals to improve their economic prospects by providing financial fitness and credit counseling, home buyer education, foreclosure intervention counseling, workforce development, adult education, and entrepreneurial training.

Housing was organized to acquire, rehabilitate, construct, operate, manage, lease, and sell housing facilities to provide affordable housing to low-income individuals and to promote the general well-being of the residents of the community. In addition, as part of economic development, Housing is dedicated to commercial and residential revitalization.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Included in Housing are the following:

- Southwest Design Solutions, LLC (SDS), a wholly owned subsidiary of Housing, was formed to provide architectural and design services for affordable housing-related projects.
- Bagley Housing Association, Inc. (Bagley) is a not-for-profit corporation of which Housing has a 100 percent controlling interest. Bagley provides affordable single-family housing to families in the Hubbard Richard and Hubbard Farms districts of southwest Detroit.
- Creative Arts, LLC (Creative Arts), a wholly owned subsidiary of Housing, was formed during 2009 for the purpose of acquiring and renovating a 12,000-square foot building generally known as the Third Precinct.
- Lithuanian Hall, LLC (Lithuanian Hall), holds commercial real estate. In January 2014, the limited partner assigned their interest in Lithuanian Hall to Housing, resulting in 100 percent ownership of the LLC.
- Michigan Lending Solutions (Lending Solutions), a low-profit limited liability company (L3C) of which Housing is a majority-member owner, was formed to provide affordable lending solutions to individuals and families in underserved areas of southeastern Michigan, with a concentration in the city of Detroit.
- 250 W. Grand Blvd. Apartments, Inc. and 250 WGB, LLC are both wholly owned subsidiaries of Housing, which collectively own 100 percent of 250 WGB Apartments Limited Dividend Housing Association Limited Partnership (250 WGB), a 20-unit apartment building in southwest Detroit, Michigan, with both one-bedroom and two-bedroom units. 250 WGB provides affordable housing pursuant to Section 42 of the Internal Revenue Code.
- 388 W. Grand Blvd. Apartments, Inc. and 388 WGB, LLC are both wholly owned subsidiaries of Housing which collectively own 100 percent of 388 W. Grand Blvd. Limited Dividend Housing Association Limited Partnership (388 WGB), a 20-unit apartment building in southwest Detroit, Michigan, with both one-bedroom and two-bedroom units. 388 WGB provides affordable housing pursuant to Section 42 of the Internal Revenue Code.
- ProsperUS Detroit Micro-Lending (ProsperUS), a tax-exempt not-for-profit subsidiary of which Housing has control and economic interest, was established in 2013 to receive and administer loan funds to support the educational and charitable purposes of Housing.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note I - Nature of Business and Significant Accounting Policies (Continued)

McKinstry Place, Inc. (McKinstry Place) is 100 percent owned by Housing and was established in 2014 to acquire an interest in real property and develop affordable housing. During the current year, McKinstry Place became the general partner in a limited dividend housing association limited partnership, with which a significant portion of the entity is owned by unrelated third parties to fund the development, and which is further described below.

Housing is also the 100 percent owner of certain corporate entities (and the 79 percent owner of Mack Ashland GP, LLC) that are general partners which own 0.1 to 1 percent of several limited dividend housing association limited partnerships (LDHALPs). The LDHALPs are formed to purchase, develop, and operate property providing affordable housing (the "Projects"). They are located in southeast Michigan and provide affordable housing pursuant to Section 42 of the Internal Revenue Code. The Projects are made up of the following LDHALPs:

- Martin Gardens
- Southwest Housing Partners
- Southwest Housing Partners II
- Springwells Partners
- Springwells Partners II
- Springwells Partners III
- McKinstry Place
- Springwells Partners IV
- Springwells Partners V
- Hubbard Communities
- VA - Piquette Square
- Mack Ashland
- Scotten Park

In addition, Housing established several entities which are collectively referred to as The 5716 Michigan Avenue Project (5716), which was established as a commercial property development which utilizes New Markets Tax Credits. 5716 is comprised of the following entities:

- **5716 Lender, LLC (Lender)** - A wholly owned subsidiary of Housing which was established to receive certain loans and equity investments on behalf of the 5716 Project
- **5716 Manager, LLC (Manager)** - A wholly owned subsidiary of Housing. Manager was established to conduct the day-to-day operations of 5716. 5716 Tenant, LLC (Tenant) was established as a vehicle with which historical tax credits could accumulate and be distributed through a master lease structure. 5716 Partners, LLC (Partners) was established to develop and maintain the commercial property. Manager includes the accounts of Tenant, of which it owns .01 percent, and Partners, of which it owns 89 percent. Tenant and Partners are consolidated in their entirety as a result of Manager's control and certain rights with respect to the entities.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Under the terms of the 5716 Project, Housing is a party to a put option that grants the investor member of Chase NMTC SWHS, LLC, an unrelated entity that participates in the 5716 Project but is not consolidated into Housing, the option to sell its membership interest to Solutions for approximately \$30,000, plus the recapture amount and any other amounts due and owing under the indemnifications clauses of the loan agreement between Partners and NDC New Markets Investments LVI, LLC, another unrelated entity which participates in the 5716 Project but is not consolidated into Housing. The option can be exercised for 60 days after the last day of the new markets tax credit compliance period, which ends during 2018.

In support of the 5716 Project, Solutions has also entered into a guarantee agreement with NDC New Markets Investments LVI, LLC for the full payment of debt, and also for the full recapture amount of new markets tax credits.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Significant accounting policies are as follows:

**Principles of Consolidation** - The consolidated financial statements include the accounts of Southwest Solutions, Asset Services, Inc., Southwest Economic Solutions, Southwest Counseling Solutions, and Southwest Housing Corporation and Subsidiaries. Also included in the consolidated financial statements are the Projects, which are variable interest entities (VIEs) for which the general partners are the primary beneficiary. The consolidated financial statements also include the accounts of Tenant and Partners, which are VIEs for which Manager is the primary beneficiary. The equity attributable to the VIEs not owned by Housing is reported as noncontrolling interest in the accompanying consolidated financial statements. For the purpose of consolidation, the effects of eliminations of revenue and expenses due to intercompany transactions between Solutions and the VIEs are attributed to Solutions.

**Cash Equivalents** - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Concentrations of Credit Risk Arising from Deposit Accounts** - The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Solutions and its subsidiaries evaluate the financial institutions with which they deposit funds; however, it is not practical to insure all cash deposits.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Capitation, Fee for Service Revenue, and Accounts Receivable** - Counseling has contracted with CareLink Network and ConsumerLink Network as a provider of mental health services and services to those with disabilities. Counseling receives monthly capitation payments based on the number of consumers assigned to it. Counseling also receives per day fee-for-service payments for each youth assigned under the juvenile justice program. Revenue under these contracts for the year ended September 30, 2015 was \$9,739,908. As of September 30, 2015, accounts receivable related to the capitation agreements were \$62,485.

**Patient Revenue and Accounts Receivable** - Patient service revenue and the related accounts receivable are recorded at estimated reimbursable amounts. An allowance for doubtful accounts is established based on specific assessment of all billings that remain unpaid following normal payment periods.

**Rent Revenue** - The Projects record net apartment rentals at gross potential rent less vacancy losses when earned.

**Public Support and Settlements Due Funding Sources** - Counseling and Housing receive revenue under contracts with certain governmental agencies, including the Detroit-Wayne County Community Mental Health Board (the "Board"). Revenue under these contracts is recognized when earned. Deferred revenue is recorded when advance payments are received. Accounts receivable are stated at net billed amounts. An allowance for doubtful accounts is established based on a specific assessment of all billings that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

The reports of Counseling and Housing relating to certain of these contracts are subject to review or audit by the responsible governmental agency to determine compliance with award documents and may be subject to possible adjustment of the recorded settlement. Based on the last review conducted, Counseling recorded a settlement of \$67,000 which is outstanding at September 30, 2015. Housing had no outstanding settlements as of September 30, 2015.

**Grant Revenue and Accounts Receivable** - Counseling and Housing receive revenue under contracts with certain governmental agencies. Revenue under these contracts is recognized when earned. Deferred revenue is recorded when advance payments are received. Accounts receivable are stated at net invoice amounts. Based on specific assessment of invoices that remain unpaid following normal payment periods, management has determined that all amounts are collectible and an allowance for doubtful accounts has not been recorded.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Trade Accounts Receivable** - Trade accounts receivable consist primarily of amounts due from tenants and from advances to the Projects with developments in progress. All receivables are considered fully collectible at September 30, 2015.

**Property Held for Resale** - Property held for resale consists primarily of foreclosed homes acquired from bank trusts for the purpose of renovation and resale, and which are renovated through a contract with an unrelated third party. Property held for resale is accounted for at lower of cost or market. Sales of property revenue is recognized when earned, which is at the time of sale.

**Property and Equipment** - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Estimated useful lives of the assets range from 3 to 40 years. Costs of maintenance and repairs are charged to expense when incurred.

Construction in progress reflects amounts expended on the development of affordable housing projects, the assets of which have not been placed in service at year end. Construction is to be funded primarily from equity contributions and issuance of long-term debt.

**Developments in Progress** - Reimbursable expenses incurred toward new projects are recorded as developments in progress until financing is complete. Upon completion of financing, amounts are classified as accounts receivable from the partnership that develops the property.

**Contributions and Contributions Receivable** - 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 as a contribution receivable at the present value of estimated future cash flows and net of allowances.

**Tax Status** - Solutions, Counseling, Housing, Economic Solutions, Bagley, and ProsperUS are exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code and are classified as organizations that are not private foundations under Section 509(a). Services is exempt from federal income taxes under Section 501(c)(2) of the United States Internal Revenue Code. Veritable Group, SDS, Creative Arts, Lithuanian Hall, 250 WGB, 388 WGB, Lender, Manager, Tenant, and Partners are limited liability companies, Lending Solutions is a low-profit limited liability company, and the Projects are limited partnerships, all of which do not pay federal income taxes under the provisions of the Internal Revenue Code. Members and partners of the LLCs and partnerships include their respective shares of the LLCs' and partnerships' net income or loss on their individual tax returns. Accordingly, there is no provision for income taxes included in the consolidated financial statements.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note I - Nature of Business and Significant Accounting Policies (Continued)

The general partners are corporations subject to taxation pursuant to the Internal Revenue Code. A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between book and tax accounting and operating loss and tax credit carryforwards. There are no provisions for income taxes and no deferred tax assets or liabilities at September 30, 2015.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and related consolidated entities and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and related consolidated entities and has concluded that as of September 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

**Classification of Net Assets** - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Unrestricted net assets have been designated by Solutions' board for future operating and capital purposes.

**Functional Allocation of Expenses** - The costs of providing program and support services have been reported on a functional basis in the consolidated statements of unrestricted revenue, expenses, and other changes in unrestricted net assets and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements** - In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the consolidated financial statements, if any.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including March 25, 2016, which is the date the consolidated financial statements were available to be issued.

### Note 2 - Information About Variable Interest Entities

Housing is the 100 percent owner of certain corporate entities (and the 79 percent owner of Mack Ashland), which are general partners and which own 0.1 to 1 percent of several LDHALPs (as disclosed in Note 1). Housing is the management agent for the Projects. The LDHALPs are considered to be variable interest entities because the related partnership agreements and associated agreements call for Housing, through the general partners, to provide certain project performance guarantees and operating deficit funding requirements.

Housing is also the 100 percent owner of Manager, which owns 89 percent of Partners and .01 percent of Tenant (as disclosed in Note 1). Partners and Tenant are considered to be variable interest entities because the holders of the equity investment at risk lack the power to direct activities that most significantly impact Partners' and Tenant's economic performance.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 2 - Information About Variable Interest Entities (Continued)

Housing, through the 100 percent owned general partner entities and Manager, determined that it is the primary beneficiary of the Projects, Tenant, and Partners because the agreements provide it with (1) the power to direct the activities of the entities that most significantly impact economic performance and (2) the obligation to absorb losses that could potentially be significant to the entities. As a result, these entities have been included in the financial statements as consolidated variable interest entities.

Included in the consolidated balance sheet as of September 30, 2015 are the following amounts related to the VIEs:

Current assets	\$ 1,611,899
Property and equipment	82,379,564
Other assets	<u>6,050,658</u>
Total assets	<u>\$ 90,042,121</u>
Current liabilities	\$ 5,732,167
Long-term debt	41,774,459
Interest payable	<u>6,209,509</u>
Total liabilities	<u>\$ 53,716,135</u>
Equity - Noncontrolling interest	<u>\$ 36,325,986</u>

During the year ended September 30, 2015, equity contributions totaling approximately \$5,000,000 were received from unrelated limited partners pursuant to partnership agreements and were primarily utilized to fund construction costs on low-income housing tax credit projects.

Housing has provided a note to Chase NMTC SWHS, LLC as a part of the 5716 Project. The note receivable totaled \$7,241,555 at September 30, 2015 and is further disclosed in Note 6. Housing has no other involvement with Chase NMTC SWHS, LLC.

The note was made to fund equity contributions made by the unaffiliated company to fund the 5716 Partners project.

Chase NMTC SWHS, LLC is considered to be a variable interest entity because it could not have conducted its intended business of providing equity funding to the 5716 Project without this loan. Housing determined that it is not the primary beneficiary of the unaffiliated company because it does not have the power through voting or similar rights to direct the operations of the unaffiliated company's business.

Housing does not have an equity investment in Chase NMTC SWHS, LLC. As of September 30, 2015, Housing's maximum exposure to loss as a result of its involvement with Chase NMTC SWHS, LLC is equal to the outstanding loan balance.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 2 - Information About Variable Interest Entities (Continued)

The creditors and beneficial interest holders of the VIEs have no recourse to the assets of Housing other than as disclosed in Note 7 to the consolidated financial statements.

### Note 3 - Contributions Receivable

Included in contributions receivable are the following unconditional promises to give at September 30, 2015:

Contributions receivable	\$ 2,407,918
Less allowance for uncollectible pledges	<u>(95,757)</u>
Net contributions receivable (due in less than one year)	<u>\$ 2,312,161</u>

### Note 4 - Property and Equipment

The cost of property and equipment at September 30, 2015 is summarized as follows:

	Southwest Solutions and Subsidiaries (Net of Projects)	Projects	Total
Land and land improvements	\$ 1,793,882	\$ 10,963,490	\$ 12,757,372
Buildings and improvements	11,989,045	84,269,392	96,258,437
Vehicles	488,760	-	488,760
Furniture and fixtures	1,015,007	4,492,016	5,507,023
Equipment	4,113,688	-	4,113,688
Leasehold improvements	2,358,450	-	2,358,450
Construction in progress	530,157	-	530,157
Total cost	<u>22,288,989</u>	<u>99,724,898</u>	<u>122,013,887</u>
Accumulated depreciation	<u>(12,615,074)</u>	<u>(29,260,636)</u>	<u>(41,875,710)</u>
Net carrying amount	<u>\$ 9,673,915</u>	<u>\$ 70,464,262</u>	<u>\$ 80,138,177</u>

Depreciation expense for the year ended September 30, 2015 was as follows:

	Southwest Solutions and Subsidiaries (Net of Projects)	Projects	Total
Depreciation expense	<u>\$ 864,192</u>	<u>\$ 4,088,464</u>	<u>\$ 4,952,656</u>

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 5 - Assets Limited as to Use

Assets limited as to use consist of the following at September 30, 2015:

Cash held by the Projects as reserves for operating deficits, capital replacement, exit tax liabilities, social services deficits, and commercial asset management deficits	\$ 5,242,369
Cash held by the LLCs to fund construction and tax escrows of developments	33,673
Cash held by Lending Solutions for loan program	77,148
Loan receivables from loan program	68,578
Assets held in conjunction with donor restrictions for the support of the residential revitalization and the promotion of home ownership in Detroit	<u>3,672,801</u>
Total assets limited as to use	<u>\$ 9,094,569</u>

### Note 6 - Long-term Note Receivable

The Organization has a note receivable through Lender due from Chase NMTC SWHS, LLC (Chase), an entity included in the development of 5716, but which is not related to Housing. The proceeds were used by Chase to assist in acquiring a 99.99 percent membership interest in NDC New Markets Investments LVI, LLC (CDE) and to make member equity contributions to 5716. The note is collateralized by a leverage loan pledge agreement and bears interest at 1.2615 percent per annum. Monthly payments of interest are required, which commenced from June 5, 2010. Principal repayment begins on May 4, 2017 in the amount of \$1,000,000, followed by monthly payments of interest in arrears and principal in the amount of \$32,365 from June 5, 2030 through April 5, 2045. The balance outstanding on the note receivable was \$7,241,555 at September 30, 2015.

In addition, Housing and Counseling have \$1,708,047 of notes receivable from other entities. Repayment on these notes receivable is based upon cash flow, is unsecured, and is expected in more than one year.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 7 - Long-term Debt

Notes payable consist of the following at September 30, 2015:

Counseling multiple vehicle loans payable to a bank, requiring monthly payments ranging from \$234 to \$1,074, including interest ranging from 5.24 to 9.74 percent, through April 2017	\$ 9,809
Counseling mortgage loan payable in monthly installments of \$4,434, including principal and interest at 4.85 percent. The note is collateralized by the 1600 Porter property and matures on March, 27, 2022, with any remaining unpaid principal and interest due at that time. The loan is further secured by a guarantee from Solutions	668,469
Services mortgage payable to a bank, collateralized by the property, guaranteed by Counseling and Solutions, requiring monthly payments of \$5,037, including interest at 5.00 percent, through March 2018	353,080
Services note payable, collateralized by telephone equipment, requiring monthly payments of \$626, including interest at 8.99 percent, for 60 months and matures in 2016	4,877
Services computer loan, payable to a bank, collateralized by computer equipment, requiring monthly payments of \$3,667, including interest at 2.94 percent for 60 months and matures in 2016	32,983
Services note payable, collateralized by telephone equipment, requiring monthly payments of \$1,885, including interest at 3.00 percent for 60 months and matures in 2017	57,454
Lithuanian Hall loan payable to a bank, collateralized by real property, with a fixed interest rate of 5.74 percent, requiring monthly payments of principal and interest ranging from \$6,589 to \$7,170 per month, with a balloon payment for the remaining balance due on March 5, 2018	914,600
Housing notes payable to Great Lakes Capital Fund, uncollateralized, bearing no rate of interest, and repayable based on achieving certain cash flow targets	50,000
Housing note payable to the City of Detroit for \$200,000 received to fund an LDHALP through a pass-through loan. The note payable is uncollateralized, bears no interest, and requires principal payments to the extent repayments from the pass-through loan are received from the LDHALP. No payments to this loan were required for the year ended September 30, 2015	200,000

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 7 - Long-term Debt (Continued)

Housing line of credit with Talmer Bank with a maximum withdrawal of \$650,000, established for the purpose of rehabilitation and renovation of property. The outstanding balance is unsecured, and interest at a rate of prime plus one basis point percent is due monthly based on draws outstanding. Principal balance is due on May 22, 2017	\$ 185,374
Housing notes payable to Illinois Financing Fund (IFF), collateralized by certain property, requiring monthly payments of principal and interest totaling \$6,144, with fixed interest rates of 5.375 percent. The remaining unpaid principal and interest are due in 2029. The notes are collateralized by the respective properties	715,555
Housing loan payable to IFF, collateralized by certain property, requiring monthly payments of principal and interest totaling \$2,593, with an initial interest rate of 5.375 percent. The remaining unpaid principal and interest are due in 2030	318,840
Housing note payable to the Wayne County Neighborhood Stabilization Program for redevelopment of vacant and blighted buildings for children and senior citizens. The note is uncollateralized and noninterest bearing. No payments to this loan were required for the year ended September 30, 2015	200,000
Creative Arts loan payable owed to Detroit Development Fund, collateralized by a mortgage on certain property, requiring monthly payments of principal and interest totaling \$1,624, with a balloon payment due March 2016. The loan includes interest at 8.00 percent fixed	51,240
Bagley notes payable to financial institutions with fixed interest rates ranging from 4.00 to 6.00 percent. The notes are due in 2016. The notes are collateralized by the respective properties that are included within Bagley	35,074
Housing loan payable to Local Initiatives Support Corporation for the acquisition of various parcels of real estate to be provided to low- and moderate-income households. The loan is collateralized by all assets of Housing, requires monthly payments of principal and interest at 5.00 percent, and has a maturity date of June 20, 2017	10,115
Housing loan payable to Detroit Development Fund requiring monthly payments of principal and interest of \$2,499. The loan accrues interest at a fixed rate of 7.00 percent and has a maturity date of March 1, 2016. Housing refinanced this loan in January 2016 with PNC Bank and has a revised maturity date of September 1, 2019	218,925

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 7 - Long-term Debt (Continued)

Housing line of credit with Community Housing Capital with a maximum withdrawal of \$1,500,000 to acquire and rehab REO properties. The outstanding balance is unsecured, and interest at a rate of 6.50 percent is due monthly based on draws outstanding. Principal is due at the time of sale of the properties associated with the draw request	\$ 33,801
250 WGB unconditional payment loans owed to the City of Detroit HOME Investor Rehabilitation/New Construction Loan Program, collateralized by a mortgage on certain property, bearing interest at 5.30 percent, and requiring monthly payments of principal and interest totaling \$1,150. Outstanding principal, together with unpaid interest, is due in full on December 31, 2019	698,461
388 WGB unconditional payment loan owed to the City of Detroit HOME Investor Rehabilitation/New Construction Loan Program, collateralized by a mortgage and certain property, bearing interest at 0.50 percent, and requiring annual principal-only payments of \$1,200. Accrued interest, along with the unpaid principal balance of the loan, is due on December 31, 2018	674,100
Lending Solutions loan payable owed to Capital Impact Partners. The loan bears no interest, and is secured by a liquidity requirement whereby the lender retains 50 percent of loan proceeds in a credit enhancement account to apply against any outstanding principal at such time payments are past due. Outstanding principal is due in full on November 1, 2025	140,000
Housing revolving loan with Community Housing Capital with a maximum withdrawal of \$500,000 to acquire and rehab REO properties. The outstanding balance is unsecured, and interest at a rate of 6.5 percent is due monthly based on draws outstanding. Outstanding principal is due in full on June 6, 2017	85,037
Housing loans due to a private lending source in conjunction with the acquisition and renovation of properties acquired for resale. Each individual loan is secured by the related acquired property, are noninterest bearing, and are each due at the point of sale of the property. The majority of properties held at September 30, 2015 are expected to be sold within 12 months, and as such, \$1,022,418 is expected to be repaid within one year	1,340,364

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 7 - Long-term Debt (Continued)

LDHALPs notes payable owed to financial institutions and equity funds, collateralized by the respective Projects' real and personal properties, with interest rates ranging from 0 to 7.19 percent, and requiring monthly payments of principal and interest ranging from \$0 to \$4,485 per month. The notes mature between December 2018 and February 2059. Housing has no liability with respect to these notes payable beyond the collateral of the respective LDHALP

\$ 24,907,364

Partners notes payable owed to a private funding source, collateralized by all real property of Partners, with an interest rate of 1.2615 percent. Two of the notes require interest-only payments per month through May 2017, at which time the entire principal balance is due in full on the notes. The three other notes require interest-only payments per month through May 2030 (with one note requiring a principal-only payment of \$151,788 in May 2018), and then principal and interest payments per month ranging from \$9,413 to \$22,045 from June 2030 to May 2045, at which time all remaining principal and interest are due in full. The notes payable have certain financial covenants required at the substantial completion of the 5716 Project and continuing through May 2017. Payment on the notes began on June 1, 2010. The notes are guaranteed in their entirety by Solutions and Counseling

9,866,224

Total

\$ 41,771,746

Future maturities on notes payable outstanding as of September 30, 2015 are as follows:

Years Ending September 30	Southwest Solutions and Subsidiaries Debt (Net of Projects)	VIE Debt	Total
2016	\$ 1,541,849	\$ 770,360	\$ 2,312,209
2017	320,848	178,790	499,638
2018	1,162,520	338,926	1,501,446
2019	801,858	195,849	997,707
2020	841,257	205,643	1,046,900
2021 and thereafter	2,329,826	33,084,020	35,413,846
Total	<u>\$ 6,998,158</u>	<u>\$ 34,773,588</u>	<u>\$ 41,771,746</u>

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 7 - Long-term Debt (Continued)

Total interest expense on this debt for the year ended September 30, 2015 was as follows:

	Southwest Solutions and Subsidiaries Interest (Net of Projects)	VIE Interest
Interest expense	<u>\$ 294,996</u>	<u>\$ 1,227,351</u>

Interest payable on the consolidated balance sheet of \$7,547,798 relates to funds borrowed through the HOME Loan program for the Projects. The outstanding principal amounts on the loans are included in the notes payable amounts noted above for the LDHALPs. The loan terms vary by loan, with some loans requiring principal and interest payments each month and others requiring unpaid interest and remaining principal amounts at the time of loan maturity. The loans mature between December 2018 and February 2059.

### Note 8 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets held by Solutions, Housing, Counseling, and Economic Solutions at September 30, 2015 include the following:

Purpose-restricted for Federal Home Loan Bank Affordable Housing Program	\$ 1,661,900
Time- and purpose-restricted for Earn and Learn Program	875,085
Purpose-restricted for Earn and Learn Program	644,731
Time- and purpose-restricted for ProsperUS Program	1,022,895
Purpose-restricted for ProsperUS Program	400,000
Purpose-restricted for specific program use	<u>1,655,857</u>
Total	<u>\$ 6,260,468</u>

Federal Home Loan Bank Affordable Housing Program net assets were received in the form of a mortgage to be used to provide housing to low-income households. Provided that Housing complies with the terms of the mortgage agreement, the mortgage will be forgiven at the end of 15 years and Housing will retain the contributed funds. The amount is classified as temporarily restricted until the mortgage is forgiven.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 8 - Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets totaling \$2,818,130 at September 30, 2015 include funds received through an agreement with Neighborhood Reinvestment Corporation (NRC). NRC is a program that has provided funds to Housing to support lending to certain populations, the corpus and earnings of which may only be used to support a revolving loan fund to be used to fund loans for capital expenditures related to property acquisition and renovation. Included in this balance are funds totaling \$2,290,865 that are part of the NeighborWorks America Capital Fund.

### Note 9 - Operating Leases

Counseling has rental commitments under leases for office space and equipment with other entities and vehicle lease commitments through car dealerships expiring on various dates through 2019.

The future minimum lease payments under all leases at September 30, 2015 are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2016	\$ 607,000
2017	442,000
2018	390,000
2019	304,000
Total	<u>\$ 1,743,000</u>

### Note 10 - Retirement Plan

Solutions, Counseling, Housing, and Economic Solutions are part of Solutions' 403(b) plan covering substantially all full-time employees. Under the plan, these entities contribute 5 percent of qualifying employees' salaries to the purchase of individual annuity policies. The retirement plan expense was approximately \$618,000 for the year ended September 30, 2015.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 11 - Deferred Compensation Agreement

During the year ended September 30, 2005, Solutions established a nonqualified executive deferred compensation plan for the benefit of certain key management employees. Under this agreement, Solutions is obligated to provide an agreed-upon annual contribution for each participant, subject to Internal Revenue Code limitations. Any excess annual contribution will be multiplied by a factor of 1.065 and carried forward to the next succeeding year. The distribution of benefits will commence in accordance with each participant's election at the later of the date he or she is scheduled to receive Social Security benefits or separation from service as a full-time employee. Participants are immediately vested in their plan contributions and any earnings thereon. The benefit is also payable upon the employee's death or disability. The present value of future benefits to be paid is being accrued as earned over the employee's service period and is included in accrued liabilities on Solutions' consolidated balance sheet.

### Note 12 - Functional Classification of Expenses

Major classes of program and support services are as follows:

Program services:	
Outpatient adult	\$ 6,079,250
Children, youth, and family	3,146,190
School based and early childhood	8,169,077
Supportive housing services	8,097,427
Residential services	<u>23,824,014</u>
Total program services	49,315,958
Support services - Management and general	<u>7,298,069</u>
Total expenses	<u>\$ 56,614,027</u>

### Note 13 - Investments - Other

Counseling and The Guidance Center (the "Center") incorporated Bridgeway Services, Inc. (Bridgeway) as an equally owned joint venture. This investment is 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 currently has a care management contract from the Wayne County Juvenile Justice Agency. For the year ended September 30, 2015, Bridgeway received reimbursement for each youth referred to the program based on a fixed-fee contract amount.

# Southwest Solutions and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2015

### Note 13 - Investments - Other (Continued)

The following is audited condensed information regarding Bridgeway's activity as of September 30, 2015:

Total assets	<u>\$ 2,309,039</u>
Total liabilities	<u>\$ 895,732</u>
Net assets	<u>\$ 1,413,307</u>
Revenue	\$ 12,967,980
Expenses	<u>12,811,651</u>
Increase in net assets	<u>\$ 156,329</u>

Counseling has an investment in Bridgeway of \$706,651 at September 30, 2015, which represents its share of equity.

Counseling previously had a 12.5 percent interest in Behavioral Health Professionals, Inc. (BHPI), a tax-exempt 501(c)(3) organization, which is a fully integrated network for the developmentally disabled as well as for mental health services in Wayne County. During 2015, BHPI paid \$25,000 to Counseling, which removed Counseling's ownership interest in BHPI.

Counseling also has other investments accounted for under the equity method, which total \$48,956 at September 30, 2015.

### Note 14 - Related Party Transactions

Housing is affiliated through common board members with Rademacher Lodge Non-Profit Housing Corporation (Rademacher), which operates an apartment complex under Section 202 of the National Housing Act. Rademacher currently leases its facility to another unrelated organization for shelter for homeless individuals. Advances due from Rademacher totaled \$183,593 at September 30, 2015. Housing's ability to realize this receivable is dependent on the ability of Rademacher to generate revenue in excess of expenses. Financial results for Rademacher at September 30, 2015 are as follows:

Total assets	<u>\$ 514,638</u>
Total liabilities	\$ 775,084
Net deficit	<u>(260,446)</u>
Liabilities and net deficit	<u>\$ 514,638</u>

# Southwest Solutions and Subsidiaries

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## Notes to Consolidated Financial Statements September 30, 2015

### **Note 15 - Fair Value of Financial Instruments**

A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

**Short-term Financial Instruments** - The fair values of short-term financial instruments, including cash and cash equivalents, trade accounts receivable and payable, contributions receivable, grants receivable, and other accrued liabilities approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments. Inputs are based upon terms in contractual agreements.

**Long-term Obligations** - The fair value of long-term obligations is not determinable.

## **Additional Information**

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## Independent Auditor's Report on Additional Information

To the Board of Directors  
Southwest Solutions and Subsidiaries

We have audited the consolidated financial statements of Southwest Solutions and Subsidiaries as of and for the year ended September 30, 2015 and have issued our report thereon dated March 25, 2016, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Plante & Moran, PLLC*

March 25, 2016

## Southwest Solutions and Subsidiaries

### Consolidating Balance Sheet September 30, 2015

	Southwest Solutions	Southwest Counseling Solutions	Asset Services, Inc.	Southwest Economic Solutions	Southwest Housing Corporation and Subsidiaries	Eliminations	Total	Southwest Projects	Eliminations	Total
<b>Assets</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 1,025,084	\$ 1,565,236	\$ 19,121	\$ 339,846	\$ 3,094,210	\$ -	\$ 6,043,497	\$ 1,159,913	\$ -	\$ 7,203,410
Receivables:										
Trade	-	-	-	228,963	407,997	(191,457)	445,503	477,789	-	923,292
Contributions	807,918	-	-	-	1,600,000	-	2,407,918	-	-	2,407,918
Grants	-	4,363,343	-	-	-	-	4,363,343	-	-	4,363,343
Advances to affiliated entities	3,723,825	-	22,262	496,861	1,386,207	(4,474,306)	1,154,849	-	(1,154,849)	-
Patient services	-	181,100	-	-	-	-	181,100	-	-	181,100
Other	4,333	133,496	-	-	-	-	137,829	-	-	137,829
Allowance for uncollectible accounts	(123,482)	(238,235)	-	-	-	-	(361,717)	-	-	(361,717)
Property held for resale	-	-	-	-	1,694,759	-	1,694,759	-	-	1,694,759
Prepaid expenses and other current assets	3,121	118,704	184	16,181	17,207	-	155,397	203,682	-	359,079
Total current assets	5,440,799	6,123,644	41,567	1,081,851	8,200,380	(4,665,763)	16,222,478	1,841,384	(1,154,849)	16,909,013
Investments - Other	-	755,607	-	-	-	-	755,607	-	-	755,607
Property and Equipment - Net	44,277	1,579,517	423,540	217,551	7,409,030	-	9,673,915	82,379,564	(11,915,302)	80,138,177
Developments in Progress	-	-	-	-	1,480,732	-	1,480,732	-	-	1,480,732
Assets Limited as to Use	-	-	-	-	5,182,156	-	5,182,156	5,242,369	(1,329,956)	9,094,569
Long-term Notes Receivable	-	1,242,785	-	-	10,115,894	(1,368,792)	9,989,887	7,241,555	(8,281,840)	8,949,602
Long-term Due from Affiliated Entity	-	1,050,563	-	-	-	(1,050,563)	-	-	-	-
Other Assets	-	-	-	-	8,292,722	-	8,292,722	808,289	(7,869,172)	1,231,839
Total assets	<u>\$ 5,485,076</u>	<u>\$ 10,752,116</u>	<u>\$ 465,107</u>	<u>\$ 1,299,402</u>	<u>\$ 40,680,914</u>	<u>\$ (7,085,118)</u>	<u>\$ 51,597,497</u>	<u>\$ 97,513,161</u>	<u>\$ (30,551,119)</u>	<u>\$ 118,559,539</u>

# Southwest Solutions and Subsidiaries

## Consolidating Balance Sheet (Continued) September 30, 2015

	Southwest Solutions	Southwest Counseling Solutions	Asset Services, Inc.	Southwest Economic Solutions	Southwest Housing Corporation and Subsidiaries	Eliminations	Total	Southwest Projects	Eliminations	Total
<b>Liabilities and Net Assets (Deficit)</b>										
<b>Current Liabilities</b>										
Accounts payable	\$ 244,111	\$ 632,158		\$ 184,776	\$ 563,334	\$ -	\$ 1,624,379	\$ 1,065,613	\$ -	\$ 2,689,992
Due to affiliated entities	1,973,379	366,755	42,362	444,467	3,641,912	(6,468,875)	-	3,553,875	(3,553,875)	-
Current portion of notes payable	-	27,222	102,576	-	1,412,051	-	1,541,849	770,360	-	2,312,209
Deferred revenue	-	-	-	201,857	2,541,006	-	2,742,863	-	-	2,742,863
Accrued liabilities and other	606,099	1,590,569	-	136,054	944,608	(16,243)	3,261,087	798,234	-	4,059,321
Total current liabilities	2,823,589	2,616,704	144,938	967,154	9,102,911	(6,485,118)	9,170,178	6,188,082	(3,553,875)	11,804,385
<b>Notes Payable</b> (VIE restricted portion - \$25,507,364) - Net of current portion	-	651,056	345,818	-	4,459,435	(600,000)	4,856,309	41,774,459	(7,171,231)	39,459,537
<b>Interest Payable</b> - Long term	-	-	-	-	1,455,775	-	1,455,775	6,209,509	(117,486)	7,547,798
Total liabilities	2,823,589	3,267,760	490,756	967,154	15,018,121	(7,085,118)	15,482,262	54,172,050	(10,842,592)	58,811,720
<b>Net Assets (Deficit)</b>										
Unrestricted:										
Controlling interest	1,748,297	7,299,449	(25,649)	34,268	17,365,314	614,958	27,036,637	7,015,125	(19,708,527)	14,343,235
Noncontrolling interest	-	-	-	-	-	-	-	36,325,986	-	36,325,986
Temporarily restricted	913,190	184,907	-	297,980	5,479,349	(614,958)	6,260,468	-	-	6,260,468
Permanently restricted	-	-	-	-	2,818,130	-	2,818,130	-	-	2,818,130
Total net assets (deficit)	2,661,487	7,484,356	(25,649)	332,248	25,662,793	-	36,115,235	43,341,111	(19,708,527)	59,747,819
Total liabilities and net assets (deficit)	<u>\$ 5,485,076</u>	<u>\$ 10,752,116</u>	<u>\$ 465,107</u>	<u>\$ 1,299,402</u>	<u>\$ 40,680,914</u>	<u>\$ (7,085,118)</u>	<u>\$ 51,597,497</u>	<u>\$ 97,513,161</u>	<u>\$ (30,551,119)</u>	<u>\$ 118,559,539</u>

## Southwest Solutions and Subsidiaries

### Consolidating Statement of Unrestricted Revenue, Expenses, and Other Changes in Unrestricted Net Assets Year Ended September 30, 2015

	Southwest Solutions	Southwest Counseling Solutions	Asset Services, Inc.	Southwest Economic Solutions	Southwest Housing Corporation and Subsidiaries	Eliminations	Total	Southwest Projects	Eliminations	Total
<b>Changes in Unrestricted Net Assets</b>										
Revenue and support:										
Contributions, grant funding, and capitation revenue	\$ 596,486	\$ 28,246,117	\$ -	\$ 3,777,119	\$ 3,041,547	\$ (4,308,877)	\$ 31,352,392	\$ -	\$ -	\$ 31,352,392
Patient and other services	-	735,357	-	-	-	-	735,357	-	-	735,357
ASO management fees	4,390,514	-	-	-	-	(4,390,514)	-	-	-	-
Rent	-	-	212,483	-	829,709	(506,274)	535,918	4,204,944	-	4,740,862
Program revenue	-	387,124	-	-	989,857	-	1,376,981	-	(825,847)	551,134
Property management fees	-	-	-	-	716,945	-	716,945	-	(388,210)	328,735
Sales of property	-	-	-	-	9,146,494	-	9,146,494	-	-	9,146,494
Gain from Bridgeway Services, Inc.	-	78,161	-	-	-	-	78,161	-	-	78,161
Interest	1,352	-	-	416	135,643	-	137,411	265,484	(46,023)	356,872
Miscellaneous income	199,521	-	-	15,080	15,553	(86,008)	144,146	276,840	-	420,986
Total revenue and support	5,187,873	29,446,759	212,483	3,792,615	14,875,748	(9,291,673)	44,223,805	4,747,268	(1,260,080)	47,710,993
Net assets released from restrictions	132,833	314,997	-	262,020	2,480,633	-	3,190,483	-	-	3,190,483
Total unrestricted revenue, support, and net assets released from restrictions	5,320,706	29,761,756	212,483	4,054,635	17,356,381	(9,291,673)	47,414,288	4,747,268	(1,260,080)	50,901,476
Expenses:										
Program services	-	25,491,944	111,856	3,250,530	16,786,932	(4,490,927)	41,150,335	9,676,202	(1,510,579)	49,315,958
Support services	5,586,529	4,500,514	42,364	849,881	1,323,438	(5,004,657)	7,298,069	-	-	7,298,069
Total expenses	5,586,529	29,992,458	154,220	4,100,411	18,110,370	(9,495,584)	48,448,404	9,676,202	(1,510,579)	56,614,027
<b>(Decrease) Increase in Unrestricted Net Assets from Operating Activities</b>	(265,823)	(230,702)	58,263	(45,776)	(753,989)	203,911	(1,034,116)	(4,928,934)	250,499	(5,712,551)
<b>Equity Contributions</b>	273,000	(125,000)	(48,000)	-	(260,509)	-	(160,509)	5,569,214	(438,014)	4,970,691
<b>Increase (Decrease) in Unrestricted Net Assets</b>	7,177	(355,702)	10,263	(45,776)	(1,014,498)	203,911	(1,194,625)	640,280	(187,515)	(741,860)
<b>Less Increase in Unrestricted Net Assets Attributable to Noncontrolling Interests</b>	-	-	-	-	-	-	-	(517,374)	-	(517,374)
<b>Increase (Decrease) in Unrestricted Net Assets Attributable to Controlling Interests</b>	<u>\$ 7,177</u>	<u>\$ (355,702)</u>	<u>\$ 10,263</u>	<u>\$ (45,776)</u>	<u>\$ (1,014,498)</u>	<u>\$ 203,911</u>	<u>\$ (1,194,625)</u>	<u>\$ 122,906</u>	<u>\$ (187,515)</u>	<u>\$ (1,259,234)</u>

## Southwest Solutions and Subsidiaries

### Consolidating Statement of Changes in Net Assets Year Ended September 30, 2015

	Southwest Solutions	Southwest Counseling Solutions	Asset Services, Inc.	Southwest Economic Solutions	Southwest Housing Corporation and Subsidiaries	Eliminations	Total	Southwest Projects	Eliminations	Total
<b>Increase (Decrease) in Unrestricted Net Assets Attributable to Controlling Interests</b>	\$ 7,177	\$ (355,702)	\$ 10,263	\$ (45,776)	\$ (1,014,498)	\$ 203,911	\$ (1,194,625)	\$ 122,906	\$ (187,515)	\$ (1,259,234)
<b>Increase in Unrestricted Net Assets Attributable to Noncontrolling Interests</b>	-	-	-	-	-	-	-	517,374	-	517,374
<b>Increase (Decrease) in Unrestricted Net Assets</b>	7,177	(355,702)	10,263	(45,776)	(1,014,498)	203,911	(1,194,625)	640,280	(187,515)	(741,860)
<b>Changes in Temporarily Restricted Net Assets</b>										
Contributions	726,000	401,586	-	555,000	1,599,500	(203,911)	3,078,175	-	-	3,078,175
Net assets released from restrictions	(132,833)	(314,997)	-	(262,020)	(2,480,633)	-	(3,190,483)	-	-	(3,190,483)
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	593,167	86,589	-	292,980	(881,133)	(203,911)	(112,308)	-	-	(112,308)
<b>Increase in Permanently Restricted Net Assets - Contributions</b>	-	-	-	-	247,500	-	247,500	-	-	247,500
<b>Increase (Decrease) in Net Assets</b>	600,344	(269,113)	10,263	247,204	(1,648,131)	-	(1,059,433)	640,280	(187,515)	(606,668)
<b>Net Assets - Beginning of year</b>	2,061,143	7,753,469	(35,912)	85,044	27,310,924	-	37,174,668	42,700,831	(19,521,012)	60,354,487
<b>Net Assets - End of year</b>	<b>\$ 2,661,487</b>	<b>\$ 7,484,356</b>	<b>\$ (25,649)</b>	<b>\$ 332,248</b>	<b>\$ 25,662,793</b>	<b>\$ -</b>	<b>\$ 36,115,235</b>	<b>\$ 43,341,111</b>	<b>\$ (19,708,527)</b>	<b>\$ 59,747,819</b>