WARREN VILLAGE, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

AS OF AND FOR THE NINE MONTH PERIOD ENDED

MARCH 31, 2014

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WHIPPLEWOOD CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Warren Village, Inc.
Denver, Colorado

We have audited the accompanying financial statements of Warren Village, Inc., which comprise the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses, and cash flows for the nine month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

WHIPPLEWOOD CPAs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren Village, Inc. as of March 31, 2014, and the changes in its net assets and its cash flows for the nine month period then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Financial Information as of and For the Year Ended June 30, 2013

The financial statements of Warren Village, Inc. as of and for the twelve months ended June 30, 2013, were audited by other auditors whose report dated September 26, 2013 expressed an unmodified opinion on those statements. In our opinion, the summarized financial information as of and for the twelve months ended June 30, 2013 presented herein is consistent, in all material respects, with the audited financial statements from which it was derived.

WhippleWood CPAs, PC

June 30, 2014

Warren Village, Inc.
Statement of Financial Position

	As of March 31, 2014	Summarized Financial Information As of June 30, 2013
ASSETS		
Current assets		
Unrestricted cash and equivalents	$ 831,374	$ 685,305
Restricted cash	627,677	612,361
Accounts receivable, net	89,557	60,832
Grants receivable	40,592	154,675
Prepaid expenses and other assets	39,988	68,115
Total current assets	1,629,188	1,581,288
Restricted cash - tenant security deposits	17,293	15,312
Investments	2,008,789	1,815,422
Property and equipment, net	4,669,546	4,776,062
Escrow deposits	364,414	316,298
	$ 8,689,230	$ 8,504,382
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accrued liabilities	$ 200,724	$ 279,149
Accrued payroll costs	147,558	118,257
Current portion notes payable	31,007	120,915
Total current liabilities	379,289	518,321
Long-term liabilities		
Notes payable, net of current portion	300,000	300,000
Accrued management fees	59,737	74,537
Total long-term liabilities	359,737	374,537
Total liabilities	739,026	892,858
Net Assets		
Unrestricted		
Designated by Board of Trustees		
Waddell fund	108,588	100,454
Operating reserves	687,414	752,750
Investment in property and equipment, net of related debt	4,626,253	4,355,147
Undesignated	2,308,144	2,185,248
Total unrestricted net assets	7,730,399	7,393,599
Temporarily restricted	53,379	63,808
Permanently restricted	166,426	154,117
Total net assets	7,950,204	7,611,524
	$ 8,689,230	$ 8,504,382

The accompanying notes are an integral part of these financial statements.
See independent auditors' report.

Warren Village, Inc.
Statement of Activities

	For the Nine Month Period Ended March 31, 2014				Summarized Financial Information For the 12 Months Ended June 30, 2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support, revenues and gains					
Gifts and grants	$ 1,177,213	$ 135,000	$ -	$ 1,312,213	$ 1,696,059
Program service revenue					
Housing	822,087	-	-	822,087	1,086,341
Learning center	796,354	-	-	796,354	1,057,803
In-kind contributions	151,895	-	-	151,895	235,391
Miscellaneous income	29	-	-	29	2,364
Special events net of direct costs of of $49,091 and $50,315 (2013)	115,369	-	-	115,369	110,298
	3,062,947	135,000	-	3,197,947	4,188,256
Net assets released from restrictions	156,047	(156,047)	-	-	-
Total support, revenues and gains	3,218,994	(21,047)	-	3,197,947	4,188,256
Expenses					
Program services					
Housing	648,401	-	-	648,401	782,080
Learning center	1,028,552	-	-	1,028,552	1,309,375
Family services	465,900	-	-	465,900	515,501
First step	139,150	-	-	139,150	172,782
Volunteers	59,184	-	-	59,184	74,871
Without Walls, Friends & Alumni	45,897	-	-	45,897	60,637
Total program services	2,387,084	-	-	2,387,084	2,915,246
Supporting services					
Management and general	188,036	-	-	188,036	272,787
Communications	57,719	-	-	57,719	87,714
Development	215,937	-	-	215,937	298,306
Total supporting services	461,692	-	-	461,692	658,807
Total expenses	2,848,776	-	-	2,848,776	3,574,053
Change in net assets before depreciation and amortization, and investment gains	370,218	(21,047)	-	349,171	614,203
Depreciation and amortization	(203,761)	-	-	(203,761)	(232,518)
Investment gains	170,343	10,618	12,309	193,270	263,047
Change in net assets	336,800	(10,429)	12,309	338,680	644,732
Net assets, beginning of year	7,393,599	63,808	154,117	7,611,524	6,966,792
Net assets, end of year	$ 7,730,399	$ 53,379	$ 166,426	$ 7,950,204	$ 7,611,524

The accompanying notes are an integral part of these financial statements.
See independent auditors' report.

Warren Village
Statement of Functional Expenses

	For the Nine Month Period Ended March 31, 2014											
	Program Expenses							Supporting Services				Summarized Financial Information For the 12 Months Ended June 30, 2013
	Housing	Learning Center	Family Services	First Step	Volunteers	WV Without Walls & Alumni	Total	Management & General	Communications	Development	Nine Month Total	
Salaries, payroll taxes, and employee benefits	$ 170,826	$ 793,543	$ 230,838	$ 75,797	$ 43,328	$ 38,999	$ 1,353,331	$ 122,459	$ 41,442	$ 160,996	$ 1,678,228	$ 2,250,257
Contract Labor												
Maintenance	164,910	45,269	17,910	5,400	184	600	234,273	-	1,825	876	236,974	299,280
Management	22,403	-	-	-	-	-	22,403	-	-	-	22,403	30,459
Professional Fees	17,236	15,674	7,875	-	-	-	40,785	31,745	1,350	-	73,880	89,225
Security	59,112	-	-	300	-	-	59,412	-	-	-	59,412	82,756
In-Kind/Volunteer services	-	5,972	114,765	13,360	396	-	134,493	5,555	595	11,252	151,895	186,708
General	-	6,281	5,093	197	6,589	-	18,160	-	-	-	18,160	20,648
Program Expenses												
Supplies	30,939	103,730	48,216	11,948	4,666	2,454	201,953	16,376	10,583	30,976	259,888	209,302
Scholarships	-	12,500	10,637	-	-	-	23,137	-	-	-	23,137	24,440
General	15,318	21,379	8,756	1,257	1,219	2,868	50,797	2,817	861	4,442	58,917	70,152
Occupancy and Other Expenses												
Interest	3,746	-	-	-	-	-	3,746	-	-	-	3,746	12,153
Utilities	124,924	4,031	1,776	12,324	299	75	143,429	1,033	75	598	145,135	199,145
General	38,987	20,173	20,034	18,567	2,503	901	101,165	8,051	988	6,797	117,001	99,528
Subtotal	648,401	1,028,552	465,900	139,150	59,184	45,897	2,387,084	188,036	57,719	215,937	2,848,776	3,574,053
Depreciation	155,274	26,023	1,580	-	-	-	182,877	20,818	-	66	203,761	232,518
Total Functional Expenses	$ 803,675	$ 1,054,575	$ 467,480	$ 139,150	$ 59,184	$ 45,897	$ 2,569,961	$ 208,854	$ 57,719	$ 216,003	$ 3,052,537	$ 3,806,571

The accompanying notes are integral part of these financial statements.
See independent auditors' report.

Warren Village, Inc.
Statement of Cash Flows

	For the Nine Month Period Ended March 31, 2014	Summarized Financial Information For the 12 Months Ended June 30, 2013
Cash flows from operating activities		
Change in net assets	$ 338,680	$ 644,732
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	203,761	232,518
Donation of equipment	-	(55,979)
Net realized and unrealized gain on investments	(193,367)	(227,033)
Changes in:		
Accounts receivable	(28,725)	(16,305)
Grants receivable	114,083	(69,478)
Prepaid expenses and other assets	28,127	(10,941)
Accounts payable and accruals	(63,924)	(23,920)
Cash provided by operating activities	398,635	473,594
Cash flows used in investing activities		
Change in restricted cash - committed reserves	(15,316)	(110,803)
Change in restricted cash - tenant security deposits	(1,981)	(4,493)
Change in escrow deposits	(48,116)	(81,269)
Purchase of investments	-	(167,660)
Purchase of property and equipment	(97,245)	(153,474)
Cash used in investing activities	(162,658)	(517,699)
Cash flows from financing activities		
Repayment of notes payable	(89,908)	(312,332)
Cash used in financing activities	(89,908)	(312,332)
Net change in cash	146,069	(356,437)
Cash and equivalents, at beginning of period	685,305	1,041,742
Cash and equivalents, at end of period	$ 831,374	$ 685,305

Supplemental information:

Cash paid for interest during the nine month period ended March 31, 2014 was $3,746.
The amount is net of interest reduction subsidies received during the period totaling $55,858.

The accompanying notes are an integral part of these financial statements.
See independent auditors' report.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Warren Village, Inc. (the "Organization") is a Colorado non-profit corporation formed in 1969 and tax exempt under Section 501(c)(3) of the United States Internal Revenue Code (the "Code"). The Organization operates an apartment building under Sections 236 and 8 of the National Housing Act (the "Project"). The Project is regulated by the United States Department of Housing and Urban Development ("HUD"). The Organization also operates an on-site children's learning center and provides comprehensive family services for single-parent family tenants. Effective July 1, 2013, the Organization changed its fiscal year end from June 30 to March 31. Accordingly, activity included in these financial statements covers the nine month period from July 1, 2013 through March 31, 2014. Management and the Board of Trustees believe the March 31 fiscal year end allows the Organization to more effectively plan and allocate funds for programs throughout the year.

Basis of Presentation

The Organization reports its activities and financial position according to classes of net assets. Unrestricted net assets are available for use at the discretion of the Organization. Temporarily restricted net assets are subject to donor imposed restrictions for certain time periods, purposes, or programs. When donor imposed restrictions end or are otherwise satisfied, the assets are reclassified to unrestricted net assets and recorded in the statement of activities as assets released from restriction. Permanently restricted net assets must be permanently maintained in accordance with the requirements of the donor.

Cash

The Organization maintains cash in accounts which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Restricted Cash

Restricted Cash - Committed Reserves as of March 31, 2014 consist of reserves required by the Colorado Housing and Finance Authority ("CHFA") Tax Credit Exchange Program ("TCEP") (See Note 11) and committed reserves of the Project, as follows:

CHFA TCEP Reserves	$ 472,670
Committed reserves of the Project	155,007
Total Restricted Cash – Committed Reserves	$ 627,677

As of March 31, 2014, the Organization also had accrued management fees due to CHFA in the amount $59,737.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash - Continued

HUD requires security deposits collected from tenants to be held in separate accounts and considered restricted cash. Restricted cash arising from tenant security deposits held at March 31, 2014 totaled $17,293.

Receivables

Accounts receivable arise in the ordinary course of renting housing units and providing learning and family services. Contributions receivable may arise from unconditional promises to give, which are recognized when the promise is received, or from conditional contributions whose conditions have been satisfied.

The Organization uses the allowance method of accounting for doubtful accounts, estimating the amounts of uncollectible receivable and recording allowances based upon historical bad debt experience and management's assessment of collectability. No allowances were deemed necessary by management as of March 31, 2014.

Investments

Investments are carried at fair value. Net realized and unrealized gains and losses on investments are included in the statement of activities.

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements with a value greater than $5,000 are recorded at cost or, if donated, at the fair value at the date of receipt. Depreciation and amortization are computed using the straight-line method based on estimated useful lives ranging from three to seven years. Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of an asset or asset group may not be recoverable. The amount of potential impairment loss is calculated by the excess of fair value over the assets carrying value. Fair value is generally determined using a discounted cash flow analysis. No impairments were recognized for the nine month period ended March 31, 2014.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Unrestricted contributions are recognized when delivered or unconditionally promised to the Organization. Restricted contributions are recognized when the conditions upon which they depend are satisfied.

Program service revenues are recognized monthly when earned. Prepaid rental or service payments received are initially recorded as deferred revenue and recognized when earned.

In-kind donations of property, materials, and personal services are recorded at estimated fair value on date of receipt.

Functional expenses

The costs of providing programs and activities have been summarized on a functional basis in the statement of functional expenses. Certain overhead costs are allocated to functions based on estimated use of resources. In-kind donations other than long lived assets are included in program costs.

Income Taxes

The Organization is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code and is classified as a publicly supported organization under Section 509(a). Accordingly, no provision is made for federal, state, or local income taxes.

The Organization has adopted accounting guidance related to uncertainty in income taxes. After evaluating the tax positions taken, management of the Organization has determined no amounts are required to be recognized related to uncertain tax positions as of March 31, 2014.

With few exceptions, income tax years before 2010 are no longer subject to examination by federal, state, or local taxing authorities.

Use of Estimates

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued. Management has identified no subsequent events that require modification of the financial statements or related disclosures.

NOTE 2 FAIR VALUE OF INVESTMENTS

The Organization has adopted an established framework for measuring fair value that requires enhanced disclosure regarding fair value measurements. Fair value is an exit price, representing the amount that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs require management to make certain assumptions about the information that would be used by market participants in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the nine month period ended March 31, 2014.

NOTE 2 FAIR VALUE OF INVESTMENTS (CONTINUED)

Equities, mutual funds and money market funds are valued at the closing price reported on the active market on which the securities are traded. In determining fair value, the Organization utilizes valuation techniques maximizing use of observable inputs and minimizing unobservable inputs to the extent possible. Counterparty credit risk is also considered in assessing fair value.

Investments at the Denver Foundation are valued based upon information reported by the Denver Foundation and corroborated by management with Denver Foundation's audited financial statements.

The following sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value, as described above, on a recurring basis as of March 31, 2014:

	Fair Value	Level 1	Level 2	Level 3
Equities & mutual funds	$ 1,678,179	$ 1,678,179	$ -	$ -
Money market funds	20,883	20,883	-	-
Investments held by the Denver Foundation	309,727	-	-	309,727
Total Investments	$ 2,008,789	$ 1,699,062	$ -	$ 309,727

Investment income for the nine month period ended March 31, 2014 consists of $6,641 in dividends and interest reinvested and $186,629 in net realized and unrealized gains on investments.

The activity in investments held by The Denver Foundation measured is as follows:

Beginning balance	$ 286,917
Total realized and unrealized gains	22,810
Ending balance	$ 309,727

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property, equipment, and leasehold improvements at March 31, 2014 are as follows:

Building and improvements	$ 6,740,925
Furnishings and equipment	425,804
Vehicles	125,819
Website and software	32,291
	7,324,839
Less accumulated depreciation and amortization	(2,801,738)
	4,523,101
Land	146,445
	$ 4,669,546

NOTE 4 ESCROW DEPOSITS

In accordance with HUD requirements, monthly deposits are placed in escrow accounts with mortgage servicing agents. The funds are restricted and may only be used for their specified purposes. Escrow balances consist of the following at March 31, 2014:

Replacement reserve	$ 328,194
Mortgage and property insurance	36,220
	$ 364,414

NOTE 5 LINE OF CREDIT

The Organization maintains a $200,000 line of credit agreement with a financial institution. The line of credit accrues interest at a variable rate and expires in August 2015. No amounts were due under the line of credit agreement as of March 31, 2014.

NOTE 6 NOTES PAYABLE

As of March 31, 2014, the Organization has two notes payable as follows:

Note 1 - payable to financial institution at 7% per annum, requiring monthly payments of $10,464 net of interest subsidy payments from HUD of $6,230 per month, collateralized by a deed of trust on property at 1323 Gilpin Street and certain furnishings and equipment and guaranteed by the Federal Housing Administration ("FHA"). Net effective interest after subsidy payments approximates 1% in accordance with FHA Section 236.	$ 31,007
Note 2 - payable to the City and County of Denver at 0% per annum, to be forgiven if the property at 1323 Gilpin Street maintains compliance with term of the agreement through 2025 (see Note 11). The note is collateralized by a deed of trust on property at 1323 Gilpin Street and subordinate to the note payable described above. This note requires certain rental occupancy rules, and was used to fund a portion of prior year rehabilitation project.	300,000
	331,007
Less current portion	(31,007)
Long-term portion of notes payable	$ 300,000

Note 1 was paid in full during June 2014. The Organization intends to maintain compliance with the terms of Note 2. Accordingly Note 2 is expected to be forgiven at maturity in 2025, with no cash payments due at or prior to maturity.

NOTE 7 RETIREMENT PLAN

The Organization sponsors a tax deferred annuity plan (the "Plan") under provisions of United States Internal Revenue Code Section 403(b). The Plan is open to all employees of the Organization. Participants may contribute a portion of earnings annually, not to exceed the annual limits established the United States Internal Revenue Code. The Organization may elect to make annual discretionary matching contributions. Matching contributions for the nine month period ended March 31, 2014 totaled $17,370.

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets as of March 31, 2014 may only be used as follows:

Scholarships	$ 33,363
Timing	9,398
Unutilized Earnings	10,618
	$ 53,379

Permanently Restricted Net Assets

Permanently restricted net assets, which may only be used to fund Learning Center programs, were as follows as of March 31, 2014:

Hope Endowment Fund – Learning Center	$ 25,000
Young Endowment Fund – Learning Center	100,695
Unutilized Earnings	40,731
	$ 166,426

NOTE 9 INVESTMENT IN ENDOWMENTS

The Organization's endowments consist of the Patricia A. Young Warren Village Learning Center Endowment Fund (established in December 2010) and the Warren Village Hope Endowment Fund (established in May 2012). The endowments can be used for the Organization's Learning Center operations and programs and the Organization's programs that further children's education and enrichment activities. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 9 INVESTMENT IN ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which requires the preservation of the fair value of the original gifts as of the gift dates of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization has determined that it is not subject to UPMIF A rules as the donors have given explicit instruction as to the appropriation of funds from the endowments. The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (d) investment gains and losses, and (e) appropriations for expenditure from the funds.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and general operations supported by its endowments, while seeking to maintain the purchasing power of the endowments' assets. Endowment assets include those assets of a donor-restricted fund that the Organization must hold in perpetuity or for a period specified by the donor. Under this policy, as approved by the Board of Trustees, the endowment assets are invested to provide safety through diversification in a portfolio of money market funds, mutual funds including equity securities, and bonds, which may reflect varying risks and rates of return. The Organization expects its endowment funds, over time, to provide a reasonable rate of return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The donors have stipulated policies of appropriating monies for distribution each year at the greater of 1) 4.5% of its trailing 36-month average fair market value or 2) 4% of the current fair market value of the endowments or a separate option of distributing only the interest earned on the principal from the prior fiscal year. During 2013, the spending policy was changed to distribute up to 6% of the market value of the endowment based on the four-quarter trailing average value, net of annual administrative fees of 1%.

NOTE 9 INVESTMENT IN ENDOWMENTS (CONTINUED)

Spending Policy (continued)

Endowment net assets as of March 31, 2014 consist of $166,426 permanently restricted for use in Learning Center Programs.

Changes in invested endowment net assets for the nine month period ended March 31, 2014 were as follows:

Beginning balance	$ 154,117
Investment income	4,038
Net appreciation	8,271
Ending balance	$ 166,426

NOTE 10 DONATED GOODS AND SERVICES

The value of donated goods and services included in the financial statements for the nine month period ended March 31, 2014 are as follows:

	Goods & Supplies	Volunteer Services	Total
First Step	$ 1,800	$ 11,560	$ 13,360
Volunteer	396	-	396
Housing	-	-	-
Management/general	5,555	-	5,555
Learning Center	1,705	4,267	5,972
Communications	-	595	595
Development	11,252	-	11,252
Family Services	63,680	51,085	114,765
Total	$ 84,388	$ 67,507	$ 151,895

Expenditures for donated goods and services are included in the expenses and losses section of the statement of activities in the corresponding functional categories noted above. During the nine month period ended March 31, 2014, the Organization received $6,000 in goods/supplies recognized as part of special events income and expenses. In addition, for the nine month period ended March 31, 2014, donated services representing 11,495 volunteer hours were not recognized in the financial statements because they did not meet the recognition criteria.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Housing Renovation Grants

In September 2010, the Organization signed an agreement with the CHFA to exchange low-income housing tax credits awarded in April 2009 for a federal grant under the TCEP. The amount of the TCEP grant was $5,401,172. The Organization is required to maintain the Project as housing for low-income persons and meet other compliance requirements per the grant from CHFA. If the Organization falls out of compliance, it is subject to a recapture agreement whereby they may have to repay a portion of the grant. The grant was used for major rehabilitation work on the Project, including air conditioning and new energy-efficient windows throughout. This grant also included a developer fee paid to the Organization of approximately $600,000.

In addition, the Organization has received a $300,000 grant from the state of Colorado as part of the Federal Home Investment Partnership Program (HOME). The proceeds of the grant were used for the rehabilitation project noted above.

Contracts

The Organization receives certain revenue from contracts with various governmental agencies. If the Organization doesn't meet the requirements of the contracts, it may have to return the funds received from these agencies

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Housing

The Organization has entered into a Housing Assistance Payments ("HAP") contract with HUD through August 31, 2033. Under the terms of this contract, the Organization agrees to operate a subsidized housing project with a gross potential rent of approximately $1,064,669 per year. Maximum payments are subject to change periodically by amendment to the HAP contract.

As a portion of the Organization's operations is concentrated in the multi-family HUD-subsidized real estate market, which inherently is a heavily regulated environment, such operations are subject to the administrative directives, rules, and regulations of federal agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and are subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot be presently determined, and no provision for any liability that may result has been made in the financial statements. However, management believes that the effect, if any, of such audits would not have a significant impact on the financial statements; accordingly, no provision has been made in the financial statements for any liability that may result.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Lease Obligations

The Organization leases office equipment under operating leases. Monthly payments of approximately $472 extend through May 2016. Rental expense, including associated maintenance costs, amounted to $4,248 for the nine month period ended March 31, 2014.

Future minimum lease payments under these leases as of March 31, 2014, are as follows:

Year ending March 31,	
2015	$ 5,580
2016	3,880
	$ 9,460