WARREN VILLAGE, INC.

Financial Statements and Single Audit
For The Year Ended March 31, 2019
(With Summarized Financial Information
For The Year Ended March 31, 2018)

Together With Independent Auditors' Report

JDS professional group

certified public accountants, consultants and advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Warren Village, Inc:

Report on the Financial Statements

We have audited the accompanying financial statements of Warren Village, Inc., which comprise the statement of financial position as of March 31, 2019, and the related statement of activities, functional expense, and cash flows for the year 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.

Auditors' 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 from 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 auditors' 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.

Members:
American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax
www.jdscpagroup.com

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

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Project adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended March 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Reporting on Summarized Comparative Information

We have previously audited the Organization's March 31, 2018, financial statement, and we expressed an unmodified audit opinion on those audited financial statements in out report dated August 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

JDS Professional Group

October 31, 2019

WARREN VILLAGE, INC.

Statement Of Financial Position
As Of March 31, 2019
(With Summarized Financial Information For The Year Ended March 31, 2018)

	2019	2018
ASSETS		
Current Assets:		
Unrestricted cash and cash equivalents	$ 1,905,176	$ 1,501,937
Restricted cash	393,162	409,456
Accounts receivable, net	111,626	179,827
Promises to give	28,419	56,700
Investments	1,792,285	1,672,016
Prepaid expenses and other assets	34,646	21,497
Total Current Assets	4,265,314	3,841,433
Non-Current Assets:		
Restricted cash - tenant security deposits	27,695	25,235
Beneficial interest in assets held at foundations	366,196	378,514
Investments	365,275	424,824
Property and equipment, net	3,807,379	3,995,335
Escrow deposits	366,486	364,507
Total Non-Current Assets	4,933,031	5,188,415
TOTAL ASSETS	$ 9,198,345	$ 9,029,848
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and other accrued liabilities	$ 147,817	$ 72,292
Deferred revenue	8,442	7,907
Accrued payroll costs	210,284	179,413
Other current liabilities		5,632
Total Current Liabilities	366,543	265,244
Non-Current Liabilities		
Notes payable, net of current portion	300,000	300,000
Total Non-Current Liabilities	300,000	300,000
Total Liabilities	666,543	565,244
Net Assets:		
Without donor restrictions:		
Board designated operating reserve	453,000	453,000
Investment in property and equipment, net of related debt	3,507,379	3,695,335
Undesignated	4,070,227	3,796,792
Total Without Donor Restrictions	8,030,606	7,945,127
With donor restrictions	501,196	519,477
Total Net Assets	8,531,802	8,464,604
TOTAL LIABILITIES AND NET ASSETS	$ 9,198,345	$ 9,029,848

The accompanying notes are an integral part of the financial statements.

WARREN VILLAGE, INC.

Statement Of Activities
For The Year Ended March 31, 2019
(With Summarized Financial Information For The Year Ended March 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support And Revenue:				
Contributions	$ 1,773,461	$ 145,000	$ 1,918,461	$ 2,042,185
Grants	175,003		175,003	163,306
Program service revenue -				
Housing	1,291,574		1,291,574	1,098,855
Learning center	1,436,192		1,436,192	1,259,303
In-kind contribution	514,344		514,344	233,741
Special events net of direct benefits of $99,284 and $81,560	241,254		241,254	178,210
Changes in value of beneficial interest		(12,318)	(12,318)	47,193
Investment income	74,910		74,910	140,003
Other income	2,488		2,488	
Net assets released from restrictions-				
Release from purpose restriction	150,963	(150,963)		
Total Support and Revenue	5,660,189	(18,281)	5,641,908	5,162,796
Expenses:				
Program Services -				
Housing	1,203,324		1,203,324	1,015,542
Learning center	1,945,481		1,945,481	1,884,216
Family services	1,109,269		1,109,269	801,217
First step	210,386		210,386	185,178
Volunteers	83,119		83,119	83,646
Total Program Services	4,551,579		4,551,579	3,969,799
Supporting Services -				
Management and general	449,975		449,975	469,937
Development and communications	573,156		573,156	513,387
Total Supporting Services	1,023,131		1,023,131	983,324
Total Expenses	5,574,710		5,574,710	4,953,123
CHANGES IN NET ASSETS FROM OPERATIONS	85,479	(18,281)	67,198	209,673
Net Assets, Beginning Of Year	7,945,127	519,477	8,464,604	8,254,931
NET ASSETS, END OF YEAR	$ 8,030,606	$ 501,196	$ 8,531,802	$ 8,464,604

The accompanying notes are an integral part of the financial statements.

WARREN VILLAGE INC.

Statement Of Functional Expenses
For The Year Ended March 31, 2019
(With Summarized Financial Information For The Year Ended March 31, 2018)

	Program Services						Supporting Services			
	Housing	Learning Center	Family Services	First Step	Volunteers	Total	Management & General	Development & Communications	2019 Total	2018 Total
Salaries, payroll taxes, and employee benefits	$ 266,363	$ 1,577,092	$ 530,234	$ 105,074	$ 61,216	$ 2,539,979	$ 221,533	$ 392,414	$ 3,153,926	$ 3,016,969
Contract Labor										
Maintenance	199,940	47,939				247,879	7,256	7,083	262,218	308,893
Management	47,484					47,484	58,389		105,873	81,728
Professional fees	25,320	18,917	1,612		11	45,860	20,323	26,778	92,961	23,946
Security	115,491					115,491			115,491	117,712
In-kind/Volunteer services		6,495	421,993	8,467		436,955	5,620	71,770	514,345	209,871
General	15,067	98,125	1,742	432	1,744	117,110	17,534		134,644	50,645
Meetings, Travel, & Training	730	21,261	6,709	1,216	721	30,637	5,641	4,310	40,588	
Program Expenses										
Supplies	107,796	110,762	49,946	23,611	14,070	306,185	11,973	41,039	359,197	220,887
Scholarships			24,469			24,469			24,469	45,184
General	8,665	29,452	23,859	3,376	4,789	70,141	40,749	16,154	127,044	167,403
Occupancy and Other Expenses										
Utilities	139,038	6,736	4,399	18,858	183	169,214	7,745	1,021	177,980	179,329
General	94,505	14,278	37,673	49,352	385	196,193	19,700	12,587	228,480	289,977
Subtotal	1,020,399	1,931,057	1,102,636	210,386	83,119	4,347,597	416,463	573,156	5,337,216	4,712,544
Depreciation	182,925	14,424	6,633			203,982	33,512		237,494	240,579
TOTAL EXPENSES	$ 1,203,324	$ 1,945,481	$1,109,269	$ 210,386	$ 83,119	$ 4,551,579	$ 449,975	$ 573,156	$ 5,574,710	$ 4,953,123
% OF TOTAL EXPENSES						82%	8%	10%		

	2019	2018
Cash flows from operating activities:		
Changes in net assets from operations	$ 67,198	$ 209,673
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	237,494	240,579
Donated property and equipment		(23,872)
Unrealized and realized (gains) on investments	(47,561)	(101,073)
Change in beneficial interest	12,318	(47,193)
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	68,201	(1,293)
Decrease in grants receivable	28,281	71,000
(Increase) in prepaid expenses and other assets	(13,149)	(34,545)
Increase (decrease) in accounts payable and accruals	100,764	(58,406)
Increase in deferred revenue	535	7,907
Net cash provided by operating activities	454,081	262,777
Cash flows from investing activities:		
Purchases of investments	(1,373,429)	(1,003,923)
Sales of investments	1,360,270	1,024,136
Change in escrow deposits	(1,979)	(1,974)
Purchases of property and equipment	(49,538)	(73,794)
Net cash (used in) investing activities	(64,676)	(55,555)
NET INCREASE IN CASH AND CASH EQUIVALENTS	389,405	207,222
Cash And Cash Equivalents, Beginning Of Year	1,936,628	1,729,406
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,326,033	$ 1,936,628

(1) Nature Of The Organization

The singular purpose of Warren Village, Inc.* (the "Organization") for 45 years has been to create opportunity and community to empower formerly homeless, low-income, single-parents to change the trajectories of their lives and achieve sustainable personal and economic self-sufficiency. We accomplish this through three integrated programs: safe and affordable transitional housing, quality early education and childcare services, and self-sufficiency programming that includes onsite post-secondary education, career counseling, and life skills courses. Residents are primarily single mothers between the ages of 21 and 29 with one child under the age of five. Less than 50% are employed when they arrive, and 100% are homeless or unstably housed. Many have experienced domestic violence against themselves and their children, and all have experienced the trauma that comes with poverty and instability.

The Organization is responsive to the stress that poverty and familial instability can inflict on parents and their children. The Family Services team at the Organization meets the needs of the residents they serve by providing advocacy, referral services, and coaching. Each resident is required to commit to creating goals, maintaining a full-time activity of employment and/or higher education, attending three life skills classes per month, and volunteering two hours per month. The requirements of our program are tactics for helping people regain self-esteem, reconnect to the community, and ultimately reclaim a productive place in the economy.

Our safe, affordable housing complex and United Airlines Early Learning Center are vital to the overall success of this program; when our residents know they have a safe place to live and have access to quality care and education for their children, they are better able to commit to the rigorous requirements of our program. Our ultimate goal is that each single-parent who graduates from our program is able to rejoin the workforce, earn a living wage, and support their family well.

*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 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").

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with the accounting principles generally accepted in the United States of America.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations.*

Under this standard, the Organization is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consist of those items attributable to the Association's ongoing program services and investment income. Nonoperating activities are limited to resources that generate other activities considered to be of a more unusual or nonrecurring nature.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fair Value Measurements

The Organization follows *Fair Value Measurements*, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

Fixed income securities, equities, stocks, bonds, and government obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Organization are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at their price. The mutual funds held by the Organization are considered to be actively traded.

Beneficial interest in assets held at foundations: Valued as reported by the foundation holding the endowment funds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the Statement of Financial Position.

The carrying amount reported in the Statement of Financial Position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and money market accounts. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents consists of the following as of March 31, 2019:

Unrestricted cash and cash equivalents	$ 1,905,176
Restricted cash	393,162
Restricted cash - tenant security deposits	27,695
Total cash and cash equivalents	$ 2,326,033

Restricted Cash

Restricted Cash - Committed Reserves as of year ended March 31, 2019 consist of reserves required by the Colorado Housing and Finance Authority ("CHFA") Tax Credit Exchange Program ("TCEP") (See Note 12) in the amount of $393,162.

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 as of year ended March 31, 2019 totaled $27,695.

Accounts Receivable

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 are to be 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 collectibility. No allowances were deemed necessary for the year ended March 31, 2019.

Investments

Investments in marketable securities and debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

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.

Estimated useful lives used in depreciation calculations are as follows:

Computers, website, and software	3 years
Furniture and equipment	5 to 10 years
Vehicles	10 years
Building and improvements	10 to 40 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 year ended March 31, 2019.

Revenue Recognition

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period in which the contribution, pledge, or unconditional promise to give is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Investment income is shown as an increase or decrease in net assets without donor restrictions unless a donor or law restricts their use. When a donor restriction expires, that is when a time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

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

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such expenses include salaries, payroll taxes, benefits, meetings, travel, and training, occupancy, other expenses, and depreciation. These expenses are allocated on the basis of estimates of time and effort.

Adoption of New Accounting Pronouncement

For the year ended March 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2018, from which the summarized information was derived.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 31, 2019, the date which the financial statements were available to be issued.

(3) Tax Exempt Status

The Organization has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows *Accounting for Uncertainty in Income Taxes* accounting standard which clarifies the accounting and reporting for uncertainties in income tax law and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming the tax position is examined by the appropriate taxing authority that has knowledge of all relevant information. During the year ended March 31, 2019, the

Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

The Organization is no longer subject to U.S. federal income tax audits on its Form 990 by taxing authorities for fiscal years prior to 2016. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) <u>Beneficial Interest In Assets Held at Foundations</u>

The Organization entered into agreements with The Denver Foundation and Rose Community Foundation (the "Foundations") to establish permanent endowment funds to be held by the Foundations.

The Organization granted variance power to the Foundations which allows the Foundations to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the Foundations' Board of Directors such restriction or condition become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Organization. In accordance with the requirements of the *Transfers of Assets to a Nonprofit Organization or Charitable Trust That Raises or Holds Contributions for Others* accounting standard, the transfers were not considered to be a contribution from the Organization to the Foundations, but rather was accounted for as reciprocal transfer between the Organization and the Foundations. Therefore, the transfers are reflected collectively in the Statement of Financial Position as Beneficial interest in assets held by Foundations. The endowments are held and invested by the Foundations for the benefit of the Organization. The Organization can receive annual distributions of the six percent of the market value of the endowments based on the four-quarter trailing average value, net of annual administrative fees. However, the Organization will never receive the principal assets held by the Foundations except only to meet an emergency and with the approval by three-fourth of all the Organization and the Foundation Board of Directors. As of March 31, 2019, the fair value of the assets held by the Foundations amounted to $366,196. Distributions are available to fund the Organization's Learning Center and the Organization's programs that further children's education and enrichment activities. The Organization received $14,000 of distributions during the year ended March 31, 2019.

(5) Investments

The following table presents the Organization's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of March 31, 2019:

	Level 1	Level 2	Level 3	Total
Equities and mutual funds -				
Real estate	$ 69,963	$	$	$ 69,963
Small value	62,642			62,642
Foreign small/mid value	85,232			85,232
Diversified emerging markets	90,910			90,910
Mid cap growth	237,358			237,358
Foreign large blend	201,149			201,149
Large value	567,812			567,812
Fixed income mutual funds	352,774			352,774
U.S. treasury obligations	188,098			188,098
U.S. government agencies	46,164			46,164
World large stock	26,047			26,047
Corporate and foreign bonds	189,172			189,172
Beneficial interest in assets held at foundations			366,196	366,196
Investments at fair value	$ 2,117,321	$	$ 366,196	2,483,517
Money market funds				40,239
Total investments				$ 2,523,756

The following schedule summarizes a reconciliation of Level 3 investments:

Balance, April 1, 2018	$ 378,514
Investment return, net	1,682
Distributions	(14,000)
Balance, March 31, 2019	$ 366,196

(6) Concentrations Of Credit Risk

The Organization's cash accounts are held at a financial institution at which deposits are insured up to $250,000 by the FDIC. As of March 31, 2019, the Organization's cash deposits exceeded the FDIC limit by approximately $751,000. Management monitors the credit risks relative to cash deposits over the FDIC limit.

(7) Conditional Contributions Receivable

During the year ended March 31, 2018, the Organization was awarded grants totaling $1,000,000 for the benefit of specific projects which is contingent upon certain criteria being met. As of March 31, 2019, $500,000 of the grant has been recognized in the financial statements.

(8) Property And Equipment

Property and equipment consisted of the following as of March 31, 2019:

Building and improvements	$ 6,174,166
Furnishings and equipment	1,158,443
Vehicles	197,473
	7,530,082
Less accumulated depreciation and amortization	(3,956,860)
	3,573,222
Land	234,157
	$ 3,807,379

(9) Escrow Deposits

In accordance with HUD requirements, monthly deposits are placed in escrow accounts. The funds are restricted and may only be used for their specified purposes. Escrow balances consist of the following as of March 31, 2019:

Replacement reserve	$ 319,587
Mortgage and property insurance	46,899
	$ 366,486

(10) 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 November 2019. No amounts were due under the line of credit agreement as of March 31, 2019.

(11) Notes Payable

The Organization has a note payable to the City and County of Denver at 0% per annum (the "Note"). The Note is to be forgiven if the property at 1323 Gilpin Street maintains compliance with terms of the agreement through 2025 (see Note 12). The note is collateralized by a deed of trust on property at 1323 Gilpin Street. This note requires certain rental occupancy rules, and was used to fund a portion of prior year rehabilitation project. The Organization intends to maintain compliance with the terms of the Note. Accordingly, the Note is expected to be forgiven at maturity in 2025, with no cash payments due at or prior to maturity.

(12) 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 does not meet the requirements of the contracts, it may have to return the funds received from these agencies.

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 by 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.

(13) **Endowment**

General

The Organization's endowments consist of the Patricia A. Young Warren Village Learning Center Endowment Fund (established in December 2010), Warren Village Hope Endowment Fund (established in May 2012), Christopher Mix Wright Scholarship endowment (established in April 2013), Waddell Endowment (established in April 2013), Rose Community Foundation endowment (established in August 2016). The Organization's endowments are held with The Denver Foundation and Rose Community Foundation as discussed in Note 4. The endowments can be used to fund the Organization's Learning Center 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.

Interpretation of Relevant Law

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Organization has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Organization

(7) The investment policies of the Organization

Changes in endowment net assets as of March 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$	$ 378,514	$ 378,514
Investment return:			
Investment return, net		1,682	1,682
Distributions		(14,000)	(14,000)
Total investment return		(12,318)	(12,318)
Endowment net assets, end of year	$	$ 366,196	$ 366,196

Return Objectives and Risk Parameters

The Organization follows the investment and spending policies adopted by the Foundations holding the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Beneficial interest in trust include those assets of donor-restricted funds that the Foundations must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on the Foundations' investment policies and strategies.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization can receive annual distributions of 6% of the market value of the endowments based on the four-quarter trailing average value, net of annual administrative fees as discussed in Note 4.

(14) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of March 31, 2019:

Subject to Expenditure for Specified Purpose:		
College to career and youth program	$	25,000
Early Learning Center		50,000
Materials, staffing, and expansion of services		60,000
Subject to Spending Policy and Appropriations:		
Investment in perpetuity -		
Beneficial interest in assets held by Denver Foundation:		
Young Endowment Fund - Learning Center		141,500
Hope Endowment Fund - Learning Center		28,924
Christopher Mix Wright Scholarship Endowment Fund		42,990
Waddell Endowment Fund		127,644
Beneficial interest in assets held by Rose Community Foundation		25,138
	$	501,196

(15) Donated Goods And Services

The value of donated goods and services included in the financial statements for the year ended March 31, 2019, are as follows:

	Goods & Supplies	Volunteer Services	Total
Learning center	$ 6,495	$	$ 6,495
Family services	314,412	107,580	421,992
First step	200	8,467	8,667
Management and general	5,420		5,420
Development and communication	71,770		71,770
	$ 398,297	$ 116,047	$ 514,344

Numerous individuals volunteer their time in support of the Organization. These volunteers hours were not recognized in the financial statements because they did not meet the recognition criteria under the nonprofit accounting standards.

(16) 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 eligible employees of the Organization. Participants may contribute a portion of earnings annually, not to exceed the annual limits established by the United States Internal Revenue Code. The Organization may elect to make annual discretionary matching contributions. Matching contributions for the year ended March 31, 2019, were $40,407.

(17) Adoption of Accounting Standards Update 2016-14

The following financial statement line items for the year ended March 31, 2018, were reclassified as a result of the adoption of FASB Accounting Standards Update No. 2014-16, *Presentation of Financial Statements of Not-For-Profit Entities*.

	As Previously Reported	Adoption of ASU No. 2016-14	As Reclassified
Unrestricted net assets	$ 7,945,127	$ (7,945,127)	$
Temporarily restricted net assets	140,963	(140,963)	
Permanently restricted net assets	378,514	(378,514)	
Net assets without donor restrictions		7,945,127	7,945,127
Net assets with donor restrictions		519,477	519,477
Total	$ 8,464,604	$	$ 8,464,604

(18) Liquidity And Availability Of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets at year end:	
Unrestricted cash and cash equivalents	$ 1,905,176
Promises to give	28,419
Accounts receivable	111,626
Investments	2,157,560
Financial assets, at year end	4,202,781
Less those unavailable for general expenditures within one year:	
Board designated operating reserve	(453,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,749,781

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As discussed in Note 10, the Organization has a line of credit in the amount of $200,000 that can be drawn upon.

(19) **New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Organization for the year ended March 31, 2020. Early application is permitted for the Organization. The Organization is evaluating the effect that ASU No. 2015-14 will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities* - Revenue Recognition, while exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Organization for the year ended March 31, 2020. Early adoption is permitted. The Organization is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.