

WARREN VILLAGE, INC.

Financial Statements and Single Audit
For The Year Ended March 31, 2021

Together With Independent Auditors' Report



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. (the "Organization"), which comprise the statement of financial position as of March 31, 2021, and the related statement of activities, functional expenses, 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

Independent Auditors' Report (Continued)

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, 2021, 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.

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 August 20, 2021, 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

August 20, 2021

WARREN VILLAGE, INC.

Statement Of Financial Position
As Of March 31, 2021

Page -3-

ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,446,970
Restricted cash	361,554
Accounts receivable, net	158,452
Promises to give	57,500
Investments	964,530
Prepaid expenses and other assets	86,025
Total Current Assets	<u>5,075,031</u>

Non-Current Assets:

Restricted cash - tenant security deposits	22,860
Beneficial interest in assets held at foundations	470,272
Investments	1,793,772
Property and equipment, net	5,138,705
Escrow deposits	371,538
Total Non-Current Assets	<u>7,797,147</u>

TOTAL ASSETS

\$ 12,872,178

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and other accrued liabilities	\$ 124,961
Deferred revenue	8,188
Accrued payroll costs	239,713
Refundable advance	48,310
Refundable advance - PPP loan	620,800
Total Current Liabilities	<u>1,041,972</u>

Non-Current Liabilities

Notes payable	<u>300,000</u>
Total Non-Current Liabilities	<u>300,000</u>
Total Liabilities	<u>1,341,972</u>

Net Assets:

Without donor restrictions:

Board designated operating and growth reserves	1,237,912
Investment in property and equipment, net of related debt	4,838,705
Undesignated	4,925,817
Total Without Donor Restrictions	<u>11,002,434</u>
With donor restrictions	<u>527,772</u>
Total Net Assets	<u>11,530,206</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 12,872,178

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

WARREN VILLAGE, INC.Statement Of Activities
For The Year Ended March 31, 2021

Page -4-

	Without Donor Restrictions	With Donor Restrictions	Total
Support And Revenue:			
Contributions	\$ 2,573,992	\$ 57,500	\$ 2,631,492
State and local grants	1,465,150		1,465,150
Federal grants	1,161,341		1,161,341
Program service revenue -			
Housing	378,057		378,057
Learning Center	70,014		70,014
In-kind contributions	244,214		244,214
Special events net of direct benefits of \$18,322	228,013		228,013
Changes in value of beneficial interest		128,305	128,305
Investment income	727,137		727,137
Net assets released from restrictions-			
Release from purpose restrictions	50,600	(50,600)	
Total Support and Revenue	6,898,518	135,205	7,033,723
Expenses:			
Program Services -			
Housing	1,401,460		1,401,460
Learning Center	2,067,596		2,067,596
Family Services	1,744,582		1,744,582
Total Program Services	5,213,638		5,213,638
Supporting Services -			
Management and general	417,369		417,369
Development and communications	538,212		538,212
Total Supporting Services	955,581		955,581
Total Expenses	6,169,219		6,169,219
CHANGES IN NET ASSETS FROM OPERATIONS	729,299	135,205	864,504
Net Assets, Beginning Of Year	10,273,135	392,567	10,665,702
NET ASSETS, END OF YEAR	<u>\$ 11,002,434</u>	<u>\$ 527,772</u>	<u>\$ 11,530,206</u>

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

WARREN VILLAGE INC.

Statement Of Functional Expenses
For The Year Ended March 31, 2021

Page -5-

	Program Services			Supporting Services		
	Housing	Learning Center	Family Services Programs	Total	Management & General	Development & Communications
Salaries, payroll taxes, and employee benefits	\$ 378,552	\$ 1,618,177	\$ 960,283	\$ 2,957,012	\$ 259,819	\$ 285,232
Contract labor	60,145	110,482	43,713	214,340	76,557	83,893
In-kind services and supplies	2,090	1,872	232,985	236,947	6,431	837
Marketing and communications	7,619	5,646	8,467	21,732	861	27,145
Meetings, travel, and trainings	11,987	43,775	17,643	73,405	4,931	14,467
Supplies and resident services	37,085	80,864	232,423	350,372	8,238	6,321
Other expense	35,938	76,925	20,114	132,977	16,927	58,610
Occupancy and facility	695,976	122,734	156,966	975,676	21,312	20,898
Subtotal	1,229,392	2,060,475	1,672,594	4,962,461	395,076	497,403
Depreciation	172,068	7,121	71,988	251,177	22,293	40,809
TOTAL EXPENSES	\$ 1,401,460	\$ 2,067,596	\$ 1,744,582	\$ 5,213,638	\$ 417,369	\$ 538,212
% OF TOTAL EXPENSES				84.5%	6.8%	8.7%

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

WARREN VILLAGE, INC.

Statement Of Cash Flows For The Year Ended March 31, 2021

Page -6-

Cash flows from operating activities:	
Changes in net assets from operations	\$ 864,504
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	314,279
Unrealized and realized (gains) on investments	(654,653)
Allowance for doubtful accounts	(6,685)
Change in beneficial interest	(128,305)
Change in operating assets and liabilities:	
Decrease in accounts receivable	114,536
(Increase) in promises to give	(6,900)
(Increase) in prepaid expenses and other assets	(36,215)
(Decrease) in accounts payable and accruals	(14,086)
Increase in deferred revenue	51,679
Net cash provided by operating activities	<u>498,154</u>
Cash flows from investing activities:	
Purchases of investments	(2,454,394)
Sales of investments	2,394,394
Change in escrow deposits	(1,740)
Purchases of property and equipment	(37,790)
Net cash (used in) investing activities	<u>(99,530)</u>
Cash flows from financing activities:	
Proceeds from refundable advance	620,800
Net cash provided by financing activities	<u>620,800</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,019,424
Cash And Cash Equivalents, Beginning of Year	<u>2,811,960</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,831,384</u>
Reconciliation of cash and cash equivalents as reported on the statement of financial position to the same such total in the statement of cash flows:	
Cash and cash equivalents	\$ 3,446,970
Restricted cash	361,554
Restricted cash - tenant security deposits	22,860
	<u><u>\$ 3,831,384</u></u>

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

(1) **Nature Of The Organization**

The singular purpose of Warren Village, Inc.* (the “Organization”) for 47 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. The Organization accomplishes this through three integrated programs: safe and affordable 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 the program are tactics for helping people regain self-esteem, reconnect to the community, and ultimately reclaim a productive place in the economy.

The safe, affordable housing complex and United Airlines Early Learning Center are vital to the overall success of this program; when the 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 the program. The ultimate goal is that each single-parent who graduates from the program is able to rejoin the workforce, earn a living wage, and support their family.

*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. Since 1974, the Organization has operated 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 Trustees.

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 nonoperating activities. Operating activities consist of those items attributable to the Organization'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.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Organization's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Organization cannot reasonably estimate the impact at this time.

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.

Restricted Cash

Restricted Cash - committed reserves as of year ended March 31, 2021, consisted of reserves required by the Colorado Housing and Finance Authority ("CHFA") Tax Credit Exchange Program ("TCEP") (See Note 12) in the amount of \$361,554.

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, 2021 totaled \$22,860.

Accounts Receivable

Accounts receivable arise in the ordinary course of renting housing units and providing learning and family services.

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. As of March 31, 2021 management has recorded an allowance of \$6,685.

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 net assets without donor restrictions 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 estimated 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, 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, 2021.

Revenue And Revenue Recognition

State and local grants and federal grants consist of subsidy revenue from state, local and federal agencies, which is conditioned upon certain performance requirements for services provided by the Organization including housing and education. The Organization recognizes revenue during the year in which the performance requirements are met. The performance requirements consist of delivering housing and education related services to tenants and students. Amounts are recognized monthly during the month the services are provided and the requirements satisfied. Payments received prior to performance requirements being met are reflected as refundable advances in the statement of financial position.

Housing and Learning Center program service revenues consist of tenant rent, miscellaneous tenant charges and tuition. Rental income is recognized as rent becomes due. Tuition is recognized during the month the education services are provided and performance obligations satisfied.

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of the March 31, 2021, there was no discount related to promises to give as all are expected to be received within one year.

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met. As of March 31, 2021, the Organization had refundable advances of \$48,310.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, contract labor, meetings, travel, and training, program expenses and other expenses. These expenses are allocated on the basis of estimates of time and effort. Occupancy and facility and depreciation are allocated on the basis of square footage.

Evaluation Of Subsequent Events

The Organization has evaluated subsequent events through August 20, 2021 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, 2021, 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 2018. 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) **Beneficial Interest In Assets Held At Foundations**

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 at 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, 2021, the fair value of the assets held by the Foundations amounted to \$470,272. 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 no distributions during the year ended March 31, 2021.

(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, 2021:

	Level 1	Level 2	Level 3	Total
Equities and mutual funds -				
REITS	\$ 42,950	\$	\$	\$ 42,950
Domestic small cap	84,022			84,022
Foreign small/mid value	407,222			407,222
Domestic mid cap	260,729			260,729
Foreign large blend	193,094			193,094
Domestic large cap	699,577			699,577
Other	34,638			34,638
Fixed income mutual funds	124,920			124,920
U.S. treasury obligations	258,879			258,879
U.S. government agencies	74,504			74,504
Corporate and foreign bonds	532,320			532,320
Beneficial interest in assets held at foundations			470,272	470,272
Investments at fair value	<u>\$ 2,712,855</u>	<u>\$</u>	<u>\$ 470,272</u>	3,183,127
Money market funds				45,447
Total investments				<u>\$ 3,228,574</u>

The following schedule summarizes a reconciliation of Level 3 investments:

Balance, April 1, 2020	\$ 341,967
Investment return, net	128,305
Balance, March 31, 2021	<u>\$ 470,272</u>

(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, 2021, the Organization's cash deposits exceeded the FDIC limit by approximately \$1,796,000. Management monitors the credit risks relative to cash deposits over the FDIC limit.

(7) Property And Equipment

Property and equipment consisted of the following as of March 31, 2021:

Building and improvements	\$ 7,467,691
Furnishings and equipment	1,069,988
Vehicles	179,262
	<u>8,716,941</u>
Less accumulated depreciation and amortization	(4,069,696)
	<u>4,647,245</u>
Land	491,460
	<u>\$ 5,138,705</u>

(8) 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 consisted of the following as of March 31, 2021:

Replacement reserve	\$ 323,119
Insurance escrow reserve	48,419
	<u>\$ 371,538</u>

(9) 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 2021. No amounts were due under the line of credit agreement as of March 31, 2021.

(10) 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.

(11) **Refundable Advance - Paycheck Protection Program**

On April 15, 2020, the Organization qualified for and received a refundable advance pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$620,800. Subsequent to year end, the advance was forgiven and will be recognized as revenue in fiscal year 2022.

(12) **Commitments And Contingencies**

Housing Rehabilitation 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 City and County of Denver which is reflected as a note payable 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, which management expects to renew. Under the terms of this contract, the Organization agrees to operate a subsidized housing project with an initial gross potential rent of approximately \$1,065,000, adjusted annually at renewal each 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.

(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) and 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, 2021:

	With Donor Restrictions
Endowment net assets, beginning of the year	\$ 341,967
Investment return, net	128,305
Endowment net assets, end of year	<u>\$ 470,272</u>

Underwater Funds

As of March 31, 2021, no funds were underwater.

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 six percent 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, 2021:

Subject to Spending Policy and Appropriations:

Investment in perpetuity -

Beneficial interest in assets held by Denver Foundation:

Young Endowment Fund - Learning Center	\$ 181,743
--	------------

Hope Endowment Fund - Learning Center	37,151
---------------------------------------	--------

Christopher Mix Wright Scholarship Endowment Fund	55,217
---	--------

Waddell Endowment Fund	163,948
------------------------	---------

Beneficial interest in assets held by Rose Community Foundation	32,213
---	--------

Subject to the passage of time:

Time restricted contributions	57,500
-------------------------------	--------

	\$ 527,772
--	------------

(15) Donated Goods And Services

The value of donated goods and services included in the financial statements for the year ended March 31, 2021, were as follows:

	Goods & Supplies	Volunteer Services	Total
Learning Center	\$ 1,152	\$ 720	\$ 1,872
Family services	178,483	58,394	236,877
Management and general	3,111	1,518	4,629
Development and communication	386	450	836
	\$ 183,132	\$ 61,082	\$ 244,214

Additionally, numerous other individuals volunteer their time in support of the Organization. However, 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. During the year ended March 31, 2021, the Organization matched all qualifying employee contributions up to 2%. The Organization may also elect to make discretionary contributions from time to time as well. Matching contributions for the year ended March 31, 2021, were \$62,773.

(17) 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 as of year end:	
Cash and cash equivalents	\$ 3,446,970
Promises to give	57,500
Accounts receivable, net	158,452
Investments	2,758,302
Total financial assets, as of year end	6,421,224
Less those unavailable for general expenditures within one year:	
Board designated operating and growth reserves	(1,237,912)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,183,312</u>

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 9, the Organization has a line of credit in the amount of \$200,000 that can be drawn upon.

The Organization maintains reserves of cash and investments to cover operating expenses during uncertain economic conditions and to fund growth initiatives. Of the existing cash and investments, the Board of Trustees has designated an operating reserve of \$487,912, approximating one month of operating expense, and a growth reserve of \$750,000. The Organization has a strategic objective to serve more at-risk families in Denver via expansion of its affordable housing and/or supportive services programming. The Organization anticipates the reserve to serve both objectives in the coming years. In addition to these board-designated reserves, the Organization strives to maintain cash balances approximating six months of operating expense to maintain financial stability.

WARREN VILLAGE, INC.Schedule Of Expenditures Of Federal Awards
For The Year Ended March 31, 2021

Page -21-

<u>Federal Grantor/Pass-through</u>	<u>Contract #</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditure</u>
<u>U.S. Department of Housing Urban Development</u>			
Direct Programs:			
**Section 8 Housing Assistance Payment Program, Project No. 101-44067-NP	CO99M000092	14.195	\$ 1,115,302
<u>U.S. Department of Agriculture</u>			
Passed through Colorado Department of Public Health and Environment - Child and Adult Care Food Program	11FLA 15963	10.558	<u>46,039</u>
TOTAL			<u><u>\$ 1,161,341</u></u>

** Major program

The accompanying notes are an integral part of the schedule of expenditures of federal awards

WARREN VILLAGE, INC.

Notes To Supplemental Schedule Of Expenditures Of Federal Awards
For The Year Ended March 31, 2021

Page -22-

(1) Method of Accounting

The schedule of expenditures of federal awards has been prepared on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for all new federal awards received on or after December 26, 2014, and for funding increments (additional funding on existing awards) with modified terms and conditions that are awarded on or after that date. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the Organization, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Organization.

The Organization has elected not to use a *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Warren Village, Inc. (the "Organization"), which comprise the statement of financial position as of March 31, 2021, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.jdsccpagroup.com

Independent Auditors' Report ,Continued

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

August 20, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Warren Village, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended March 31, 2021. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2021.

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

Independent Auditors' Report, Continued**Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

JDS Professional Group

August 20, 2021

WARREN VILLAGE, INC.

Schedule Of Findings And Questioned Costs
For The Year Ended March 31, 2021

Page -27-

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(s) identified
that are not considered to be material
weakness(es)? yes X none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(s) identified
that are not considered to be material
weakness(es)? yes X no

Type of auditors' report issued on
compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance 2 CFR §200.516(a)? yes X no

WARREN VILLAGE, INC.

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended March 31, 2021

Page -28-

Identification of major programs:

CFDA Or Other Identifying Number

Name Of Federal Program

14.195

U.S. Department of Housing and Urban Development -
Section 8 - Housing Assistance Payments Program

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes

 no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

WARREN VILLAGE, INC.

Summary Schedule of Prior Audit Findings
For The Year Ended March 31, 2021

None.